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USDA AND USTR
JOINT LISTENING SESSION
ON AGRICULTURE

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Department of Agriculture

Mr. Richard Rominger, Deputy Secretary, United States
Department of Food and Agriculture

Dr. Jim Murphy, Assistant United States Trade Representative

Ambassador Marc Baas, Director, Office of Agriculture and
Textile Trade Policy, United States Department of State

Ms. Patricia Garamendi, Administrator, United States
Department of Agriculture, Farm Programs

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PROCEEDINGS

1
2 CO-MODERATOR LYONS: Welcome. Good morning. I'm
3 Bill Lyons, Junior, Secretary of California's Department of
4 Food and Agriculture. It is indeed a pleasure to welcome all
5 of you to this hearing, one of 12 regional World Trade
6 Organization listening sessions scheduled throughout the U.S.
7 This particular session offers the opportunity for citizens
8 from Arizona, California, and Hawaii to share their thoughts
9 regarding the upcoming World Trade Organization negotiations
10 beginning this November in Seattle, Washington.

11 Please remember to direct your testimony to trade
12 policy matters as this is not a forum for discussion of
13 domestic agricultural policy. Furthermore, please remember
14 that all comments are public and will be recorded for the
15 public record. Finally, as a courtesy to all speakers,
16 please turn off all cellular telephones and pagers.

17 We have a full day of activities beginning with
18 comments from our host, the Assembly Speaker, Antonio
19 Villaraigosa.

20 Antonio.

21 ASSEMBLY SPEAKER VILLARAIGOSA: Good morning, all of
22 you. And we had a great breakfast this morning and
23 yesterday's reception welcoming you here to Sacramento. It
24 was, I think, an important opportunity to get to know one
25 another. Many of you know that Sacramento is the Capitol of

1 this State and center of the central valley. It's
2 California's heartland. One of the most productive and
3 fertile valleys in the world, encompassing about 500 miles
4 from the Grapevine grade to Mount Shasta. And so we're
5 particularly heartened that you would be here with us.

6 We have a diverse group of speakers representing
7 California's agricultural trade interests throughout the
8 west. Many of you know, and we talked about earlier today,
9 that California agriculture is very diverse, much like its
10 people. And some of these complexities and that diversity
11 are going to be issues that are going to be raised today.

12 There are particular issues that are specific to
13 California that you need to be armed with as you enter into
14 your negotiations in this next round of multilateral trade
15 negotiations. Many of you know that, and of course,
16 California has been the nation's leading agricultural
17 producer for over 50 years.

18 There are approximately 350 crop and livestock
19 commodities. Our production of fruits, nuts and vegetables
20 account for 50 percent of the nation's total. Ag business
21 alone in California is contributing more than \$26 billion
22 annually through cash from farm receipts and more than \$100
23 billion in related activities. Ten California counties alone
24 reached a billion dollars in annual sales. So when you think
25 about that, it boggles the mind how critical this sector of

1 the California economy is.

2 People talk about Silicon Valley and entertainment
3 and biotech and the like, but make no mistake about it,
4 California agriculture is the number one sector of the
5 California economy.

6 Agriculture is credited with providing one of every
7 12 jobs here in California, one of every ten jobs in the
8 central valley. In Los Angeles, trade has an even higher
9 impact. The city I come from, one out of seven jobs are
10 trade related. And so this issue is very, very important to
11 all of us in this state, whether you come from a rural area
12 or you come from an urban area.

13 California exports about a fifth of our agricultural
14 products for approximately \$6.7 billion in exports, and about
15 one-fourth of the nation's total agricultural exports. And
16 so this is a very critical issue to us.

17 And we welcome you here to Sacramento. I think in
18 the course of the day you're going to hear from a lot of very
19 interested and interesting people who have a lot to say and
20 hopefully will arm you with the facts that you need as you
21 get ready to engage in these negotiations.

22 I can tell you, I have a favorite California crop,
23 and I shared that with you this morning. And I'm
24 particularly proud of our California wines. And I can tell
25 you that, for me, when you think about California exports,

1 obviously that's an important issue that we're going to have
2 to resolve. We've had some issues with Chile and Argentina
3 and other places in Europe as well. And so we hope that
4 you'll get to hear from these good people behind us and that
5 you'll be armed with some facts as you engage in your
6 negotiations.

7 In Spanish we have a saying "mi casa, su casa" and
8 so you're at home, my home is your home. And so feel free to
9 use our facilities and any of the legislative staff that you
10 may need in the day.

11 So thank you so much.

12 CO-MODERATOR LYONS: Thank you, Mr. Speaker, for
13 your comments. And again thank you for hosting the breakfast
14 this morning on behalf of California Agriculture and the
15 panel.

16 We are honored to have an impressive panel of
17 federal government officials in attendance to receive our
18 testimony today. I thank each of you for attending this
19 session which promises to be very productive. California,
20 Arizona and Hawaii are states with unique agricultural
21 industries.

22 The constructive input that you receive today from
23 our special agriculture representatives will be critical in
24 establishing the U.S. position for November's WTO
25 ministerial meetings in Seattle, Washington.

1 So, again, I thank you for dedicating an entire day
2 to listening to our concerns and suggestions.

3 The first negotiator is familiar to all of us. A
4 native Californian who farms ten miles north of here in
5 Woodland, California, the Honorable Richard Rominger. He now
6 serves as Deputy Secretary of the U.S. Department of Food and
7 Agriculture. Mr. Rominger also served as Director of Food
8 and Agriculture from 1977 to 1982.

9 Mr. Rominger.

10 USDA DEPUTY SECRETARY ROMINGER: Thank you, Bill. I
11 also want to express my thanks to Speaker Villaraigosa for
12 hosting the meeting here today and for hosting us at
13 breakfast this morning. I think we're off to a good start.
14 I also wanted to thank Ambassador Mark Baas from the
15 Department of State who's with us today and Jim Murphy from
16 the Office of the U.S. Trade Representative for joining us
17 here in Sacramento.

18 I want to welcome all of you, too, I think this is
19 the sixth session in a series of 12 listening sessions that
20 are being held across the country by the Office of the U.S.
21 Trade Representative and the U.S. Department of Agriculture.

22 And our goal, of course, is to prepare for the Third
23 Ministerial Conference of the World Trade Organization, which
24 the U.S. will host in Seattle, November 30th to December 3rd,
25 to start the next round of trade negotiations among the 134

1 nations who are members of the World Trade Organization.

2 So far, we've had an excellent response to these
3 sessions. There's been a deep appreciation on the part of
4 producers and trade associations for the opportunity to
5 address their concerns directly to the trade negotiators.

6 In fact, we had one instance in South Dakota where a
7 farmer drove eight hours to attend the session. He came and
8 he said to us, "I'm kind of isolated out there all day on
9 that tractor. And I'm not terribly sophisticated, but I'm
10 here to talk about dispute resolution." Well, I think that
11 kind of response has really given us some real insight into
12 the level of interest that we're seeing across the country in
13 the upcoming trade round.

14 This is the kind of thoughtful comment that we're
15 hearing at these sessions, that the sessions are generating
16 from farmers and ranchers, from processors, from exporters,
17 and from state and local government officials.

18 Participants have voiced a clear understanding of
19 the link between exports and farm income and the dependence
20 of those exports on better market access. Taking it one step
21 further, they recognize the significance of the upcoming WTO
22 session in Seattle to increasing exports and ultimately to
23 increasing farm income.

24 They recognize that for basic economics that we
25 derive 30 percent of all of our farm income from agricultural

1 exports. Consistently, we've heard deep concern about
2 leveling the global playing field and an abiding confidence
3 in the ability of American producers to compete on that field
4 if market access is fair and open.

5 Participants have asked us to remember the farmers
6 and the small businesses as we go into these sessions.
7 They've stressed that they depend on this process and that
8 their voice has to be heard if they're to be an active
9 partner in these discussions. We've also heard repeated
10 calls for more and better teamwork if the U.S. is to be
11 successful in this WTO round.

12 There is the sense that the partnership among the
13 federal government, states and industry must be toughened and
14 tightened if the U.S. is to present a strong front in the
15 negotiating process. So in line with that kind of
16 partnership, the lion's share of the credit for these
17 listening sessions goes to the states, which have generously
18 lent their support and help with the details and
19 organizations.

20 So my thanks to Governor Davis, to State Senator Jim
21 Costa who has been involved and to our three host states
22 California, Arizona, and Hawaii.

23 I certainly want to recognize Bill Lyons, your
24 Secretary of the California Department Food and Agriculture,
25 and Sheldon Jones, next to him, the Director of Agriculture

1 for the State of Arizona. And James Nakatani, who is the
2 Chairperson of the Board of Agriculture for the State of
3 Hawaii, couldn't be here today, but I know that he is here in
4 spirit and electronically, because they are listening in
5 Hawaii and will be furnishing comments, written comments, to
6 the trade panel.

7 And my thanks to our own folks from USDA who've done
8 a great job with the details of these sessions around the
9 country, especially to our State Executive Directors of our
10 farm services agencies. And Val Dolcini, the California
11 Director of our Farm Service Agency, is here today. And
12 George Arredondo from Arizona, I think, is also here with
13 us.

14 So thanks to them as well.

15 Last year, in Geneva, at the 50th anniversary of the
16 World Trading System, President Clinton stressed the
17 importance of open trade to all nations. He emphasized the
18 WTO role as a transparent open forum for business, labor,
19 environment and consumers groups to provide continuous input
20 to guide the evolution of the World Trading System. And so
21 that's just what we're doing with this series of listening
22 sessions, getting your input to help shape our agricultural
23 trade policies for the new round of negotiations under the
24 WTO as we enter the next millenium. So we appreciate your
25 time, your interest, and the effort that you've made to

1 attend this session.

2 As we prepare for a new round, it's critical that we
3 hear and understand the issues that are important to you, and
4 therefore should be priorities for us. So this is the kind
5 of information that we need to develop the U.S. negotiating
6 strategy.

7 As you know, while our national economy has been
8 booming, it's been a year of struggle and hardship in many
9 parts of rural America. Secretary Glickman and I have been
10 marshalling the USDA resources to address the situation. Our
11 priorities have been getting some emergency economic relief
12 to producers as soon as possible, working to strengthen the
13 farm safety net, making certain that consolidations and
14 mergers that are sweeping agriculture as well as other
15 sectors of our economy are subject to the proper scrutiny,
16 and continuing to press to open new markets for more exports.

17 So thanks again for being here today.

18 CO-MODERATOR LYONS: Thank you, Mr. Rominger.

19 The next negotiator is Dr. James Murphy, Junior.

20 Dr. Murphy is the Assistant U.S. Trade Representative for
21 Agricultural Affairs in the Office of the United States Trade
22 Representative.

23 Over the last 17 years, Dr. Murphy has held a number
24 of positions within the USTR. Dr. Murphy also has California
25 connections, having attended Claremont Graduate School in

1 Claremont, California.

2 Dr. Murphy.

3 ASSISTANT U.S. TRADE REPRESENTATIVE MURPHY: Thank
4 you very much, Secretary Lyons. And I want to add my thanks
5 to Secretary Rominger as well as for the warm welcome we had
6 from the Speaker this morning and his hospitality for
7 breakfast. And I particularly want to thank Secretary Lyons
8 and his superb team for the excellent job they have done
9 organizing this session and providing this opportunity for us
10 to be here and to hear the advice and wisdom of the folks who
11 will speak to us today. And it's very good to see a number
12 of long-term friends here and I look forward to hearing from
13 them. And we're happy that Director Jones from Agriculture
14 in Arizona could be here with us as well.

15 This is a listening session and that's why we are
16 here. I do want to make a couple of brief remarks before we
17 begin to listen, the first being on U.S. agricultural trade
18 policy, which is rooted in a few basic facts and I think is
19 fairly simple to see. And it's rooted first in the fact that
20 American farmers and ranchers are, indeed, the most
21 competitive and the most technologically advanced producers
22 in the world.

23 And because of that, we produce far more than we can
24 consume in this country, which immediately suggests the
25 importance of export markets and the central need for access

1 to those markets to have a prosperous farm economy.

2 California is exporting in the neighborhood of \$7.7
3 billion worth of agricultural products each year and is the
4 top exporter of the 50 states. And Secretary Rominger noted
5 somewhere in the order of 30 percent of gross farm receipts
6 come from those exports. So access to foreign markets is
7 absolutely essential for prosperity of our economy generally,
8 and certainly for the ag economy.

9 This is where trade agreements come into the
10 picture. As you know, the World Trade Organization is where
11 we negotiate the rules of the game for trade, where countries
12 make commitments to those rules to help guarantee access to
13 markets which are so critical. The U.S. has been in a
14 leadership position both in creating the WTO 50 years ago and
15 in shaping the rules contained in that organization that we
16 live by today.

17 In the Uruguay Round negotiations, we, for the first
18 time, began to bring agriculture under the rules of the game
19 that prevail for other sectors. Prior to that, agriculture
20 had been primarily not covered by those rules. We cut
21 tariffs, we put disciplines on subsidies, we achieved minimum
22 guaranteed market access for products which had not had it
23 before, we negotiated a sanitary and phytosanitary agreement,
24 which helped assure that rules governing those areas would be
25 based in sound science and science-based risk assessments, we

1 created a stronger enforcement mechanism, for which the U.S.
2 has been the most aggressive user. We have won 22 out of the
3 24 dispute settlement cases we have pursued, roughly half of
4 which have been in the area of agriculture.

5 We have, of course, also been negotiating a number
6 of bilateral trade agreements. We have negotiated the terms
7 of accession for China to the WTO, which has had some
8 significant -- or will have, once it's completed, some
9 significant market access provisions. For example, beef
10 tariffs will drop from 45 percent to 12 percent, wine will
11 drop from 65 to 20 and I was very happy that the Speaker
12 noted his interest in wine, which we have just launched a
13 negotiation with the European Union on.

14 But as we all know, and why we're here today, much
15 remains to be done and the Uruguay Round was only a start for
16 us. Many problems remain, and as was noted, the President
17 has called for a new round of negotiations to address those
18 problems.

19 The U.S. will host the Third WTO Ministerial Session
20 in Seattle, November 30th to December 3rd. It will be the
21 largest trade event ever to occur in this country. One
22 hundred and thirty-four countries will send delegations. And
23 it will involve in the order of some 5,000 people.

24 Agriculture is very much a part of what we call the
25 built-in agenda. It was recognized by all in the Uruguay

1 Round we had not finished the job on agriculture, and
2 therefore there was a commitment written into the Uruguay
3 Round Agreement to resume negotiations on agriculture at the
4 end of this year.

5 The agenda for that round is what we're here to talk
6 about today. There seems to be a general consensus that we
7 should build on the Uruguay Round Agreement and maintain,
8 what we call, the architecture of that round, which has three
9 primary legs. There is the market access side, tariffs,
10 tariff rate quotas, the size of those quotas and how they're
11 administered; there's export competition, which includes
12 export subsidies, export taxes, et cetera; and there's
13 domestic support.

14 In addition, there are two new issues, which were
15 not addressed in the Uruguay Round, which we are hearing from
16 a number of people we need to address this time around. One
17 is State Trading Enterprises, such entities as the Canadian
18 Report, Australian Report. And the other area is new
19 technology in a particular biotechnology about which we've
20 been hearing quite a bit from these sessions and I expect
21 we'll here something today.

22 So we're here to seek your advice. We don't want to
23 fight the last war this time around. We want you to tell us
24 what needs to be done, things that we have overlooked and the
25 emphasis that we should take, priorities that we should set,

1 and we look very much forward to having that advice from you
2 today. And we want to stress that this is the beginning of a
3 process, these listening sessions.

4 The negotiations, as I indicated, will start at the
5 end of this year, beginning of next year. It will be a
6 three-year process. We hope not a seven or eight year one as
7 we had at the Uruguay Round. But the consultations that
8 we're beginning today will continue over that period of time.
9 As issues arise, with this country's tabled proposals and
10 offers, we'll want to continue that consultative process. So
11 we urge you to do this as the beginning of that process and
12 not to be at all reluctant to come to us, write to us, call
13 us, meet with us and continue to provide your good advice, so
14 that we get it right this time around.

15 Thank you.

16 CO-MODERATOR LYONS: Thank you, Dr. Murphy. Our
17 final federal negotiator is Ambassador Mark Baas. Ambassador
18 Baas entered in the foreign service in 1970. He is currently
19 the Director for the Office of Agriculture and Textile Trade
20 Policy for the U.S. Department of State.

21 As Director of this Office, Ambassador Baas is
22 responsible for developing and implementing food aid,
23 agriculture and textile trade policy within the Department of
24 State.

25 Ambassador Baas.

1 AMBASSADOR BAAS: Secretary Lyons, thank you very
2 much. I'd like to add my thanks to that of my colleagues for
3 the fine California hospitality from you and your staff and
4 the Speaker. It's been very warm and we've enjoyed it very
5 much.

6 I will be very brief and I just want to try to
7 answer one question that you perhaps all may have, why is the
8 Department of State sending a representative here, since the
9 Department of State is concerned with foreign policy. Well,
10 the answer is really very simple. Trade is an important part
11 of foreign policy. And agricultural is an important part of
12 our trade.

13 You trade with foreigners. And what we do in trade,
14 what issues we discuss in trade affects other issues as
15 well. For example, and this may not be the world's greatest
16 example, but it's one that's very timely, we hear from the
17 Europeans, why are you bugging us on beef hormones when we're
18 cooperating with you so well on Kosovo? Well, needless to
19 say, we're happy to have their cooperation in Kosovo, but we
20 also want our rights on beef hormoning.

21 We have embassies in 150 plus countries around the
22 world. And these embassies are there to represent your
23 interests, to represent you, to push for issues that are
24 important to you, that are important to the United States.
25 They are there to inform foreign governments of our position

1 or our positions on agricultural trade. They are there also
2 to find out what's important to a foreign government, so that
3 our negotiators can then take that into account while we
4 develop our positions.

5 To do our job effectively, we need to know what you,
6 the American farmer, thinks, and that's why we're here today.
7 And therefore, I will conclude and prepare to listen to you.

8 Thank you.

9 CO-MODERATOR LYONS: Thank you, Ambassador Baas.
10 Before we continue, I'd like to welcome Assemblywoman Sarah
11 Reyes who's joining us for a few minutes. Assemblywoman
12 Reyes was elected to the Assembly in 1998 and Chair's the
13 Assembly Rural Caucus. She's a Fresno native. Sarah, thank
14 you for coming. Would you like to make a brief comment?

15 ASSEMBLYWOMAN REYES: I'm a politician, of course I
16 would.

17 (Laughter.)

18 ASSEMBLYWOMAN REYES: I just wanted to thank
19 Secretary Lyons and Deputy Secretary Rominger for coming to
20 Sacramento and addressing a lot of the issues that are going
21 to be heard today. I want to say to everybody that this is
22 of vital importance, the issues that are going to be talked
23 about today in trade, are of vital importance to my district
24 in the central valley and to the central San Joaquin Valley,
25 the largest agricultural producer in the world.

1 USDA TRADE COUNSEL WASSERMAN: I'd like to start
2 with showing you, as others have mentioned, the level already
3 of dependency on exports in the agriculture sector. U.S. Ag
4 exports reached 53.6 billion in 1998. Exports support nearly
5 750,000 jobs. Products of nearly one in three harvested
6 acres are destined for overseas. Even in the current
7 downturn, around 25 percent of ag sales are exports sales,
8 compared with ten percent on average for the rest of the
9 economy. The vast majority, about 96 percent, of potential
10 customers for U.S. products, including agricultural products,
11 live outside the United States. We clearly have to increase
12 our opportunities to sell in global markets.

13 --o0o--

14 USDA TRADE COUNSEL WASSERMAN: Access to customers
15 in foreign markets is a key factor to the health of the U.S.
16 Agriculture. Compared to the general economy, U.S.
17 Agriculture's reliance on export markets is higher and
18 projected to grow faster. Agriculture is already more
19 reliant on exports than the economy as a whole.

20 The top line shows ag exports at 26.4 percent.
21 Whereas, the overall economy is at around 11 percent.

22 --o0o--

23 USDA TRADE COUNSEL WASSERMAN: This slide shows the
24 long-term trend in ag exports. The overall trend has been
25 one of increasing exports for American agriculture. U.S.

1 agricultural sector.

2 --o0o--

3 USDA TRADE COUNSEL WASSERMAN: And this slide makes
4 a similar point showing products where we already export over
5 a \$billion worth of products. U.S. agricultural productivity
6 is increasing, while domestic demand for agricultural
7 products is growing slowly. Therefore we must develop new
8 overseas markets for our products.

9 --o0o--

10 USDA TRADE COUNSEL WASSERMAN: It's also interesting
11 to graph farm equity versus exports. And you can see how
12 closely they've tracked over a period of 40 years or so.
13 Expanding export markets, while certainly not the only tool,
14 is a very important tool for leading us out of the slump in
15 agriculture. We must be realistic, exports are projected to
16 decline in 1999 to \$49 billion. It's estimated that 45
17 percent of the world's economy outside the United States is
18 now suffering recession or depression. Until the global
19 economy turns around, we will not immediately increase our
20 global customer base. But as a long-term strategy, expanding
21 our export markets is critical.

22 --o0o--

23 USDA TRADE COUNSEL WASSERMAN: A key to expanding
24 our export markets are trade agreements. And it's clear that
25 the trade agreements that we have already worked so hard to

1 And also it shows, the green line as the Asian Pacific Rim,
2 that as exports have fallen off there, our exports for NAFTA
3 countries have helped to offset those sales declines
4 tremendously.

5 We estimate that in the first three years, NAFTA can
6 take credit for three percent additional exports to Mexico
7 and seven percent additional exports to Canada.

8 --o0o--

9 USDA TRADE COUNSEL WASSERMAN: Now, I'm going to
10 move into our goals for the WTO round focusing more on that.

11 A major part of our strategy to level the playing
12 field for agriculture is to be successful in the upcoming WTO
13 round of negotiations. To understand where we're going in
14 the WTO, it's important to understand where we have been.

15 The General Agreement on Tariff and Trade, the GATT,
16 was established in 1948 and set the basic rules for
17 international trade. A number of multilateral GATT
18 negotiations or rounds took place between 1948 and the
19 present, with the most recent round being the Uruguay Round,
20 concluding in 1994, six years ago.

21 The Uruguay Round established the World Trade
22 Organization or WTO, which is basically a continuation of the
23 GATT system.

24 --o0o--

25 USDA TRADE COUNSEL WASSERMAN: And this slide shows

1 some of the results from the Uruguay Round. The Uruguay
2 Round Agreements opened a new chapter in agricultural trade
3 policy, committing countries around the world to new rules
4 and specific commitments to reduce levels of protection and
5 support that were barriers to trade. Agriculture finally
6 became a full partner in the multilateral trading system.

7 For the first time, countries had to make
8 across-the-board cuts in agricultural tariffs. For the first
9 time, export subsidies had to be reduced and internal support
10 policies that distort trade were capped and reduced. New
11 rules set a scientific standard for measures that restrict
12 imports on the basis of human, animal or plant health and
13 safety. And a new dispute settlement process was adopted,
14 one that we have successfully used in a number of cases.

15 For example, we recently won dispute-settlement
16 panels against the European ban on beef from cattle treated
17 with growth hormones, against the EU's banana import
18 licensing regime, against Japan's restrictive quarantine
19 requirements for fresh fruit, and Canada's dairy policy on
20 subsidies. We must now maintain a firm line to ensure that
21 the banana and hormones decisions are carried out so that
22 U.S. exports have the access determined to be their legal
23 right.

24 The Uruguay Round agreement was a good start. It
25 has already contributed to increased U.S. agricultural

1 exports and higher farm incomes as American producers have
2 taken advantage of newly opened markets and new
3 opportunities. But the Uruguay Round was just a start, the
4 first important step in global agricultural trade reform.

5 And as other speakers have mentioned, the new round
6 is being kicked off in Seattle in November and December. And
7 we expect the agreement -- the negotiations to begin in 2000
8 and last three years or so.

9 --o0o--

10 USDA TRADE COUNSEL WASSERMAN: In setting the agenda
11 for the next WTO round of agricultural negotiations, we will
12 build on the Uruguay Round accomplishments. Tariffs were
13 reduced in the Uruguay Round, but they are still too high.

14 And this slide shows that for the U.S. our average
15 tariffs are eight percent or so, for the EU 20 percent and
16 for all WTO members averaged together it's about 50 percent.
17 So it's certainly in our interests to get into negotiations
18 and be sure that some more harmonization occurs in this
19 area.

20 We also want to expand market access under
21 tariff-rate quotas by increasing the quota amount and
22 decreasing the tariff outside the quota.

23 --o0o--

24 USDA TRADE COUNSEL WASSERMAN: On export subsidies.
25 Again, we call this our pacman slide. The red is all Europe.

1 And you can see the United States is just in yellow there.
2 Global exports subsidies are about \$8.5 billion, with the EU
3 accounting for 83.5 percent of those. Again, this is
4 something that we are going into the round and calling for
5 the elimination of export subsidies, which would clearly
6 benefit our producers.

7 Another problem in agricultural markets are state
8 trading enterprises or STEs, government entities that act as
9 monopolies. When an STE has government authority and
10 monopoly power, they may be able to price their products
11 artificially low and unfairly increase market share. It is
12 important that we develop stricter WTO rules to ensure that
13 STEs operate in a fair and transparent manner.

14 --o0o--

15 USDA TRADE COUNSEL WASSERMAN: On domestic support,
16 again, a similar story, in that the EU outspends the United
17 States by a very large margin. And every time I look at
18 this, I'm amazed, but that really does add up to about \$90
19 billion in global internal supports.

20 A comparison of the levels of such support shows
21 that globally, including the United States, but particularly
22 in Europe and Japan, domestic support remains high. Our goal
23 for the next round is to make sure that the assistance other
24 governments give to agriculture is provided in ways that do
25 not interfere with markets. But generous subsidy programs

1 the ground for the tough negotiations to come.

2 --o0o--

3 USDA TRADE COUNSEL WASSERMAN: This includes our
4 Internet address for your continued participation. Input
5 from those who will be most affected by the results of the
6 WTO negotiation, that is you here today, is critical both at
7 this early stage and as the USDA and USTR work together in
8 the negotiating process. We need your support and
9 suggestions, including any specific proposals you may have
10 for our negotiations.

11 You can make your voice heard on these issues by
12 making your views known to your local farm groups and State
13 government representatives in the Legislature or the
14 Executive Branch. Many of you are represented on our federal
15 Agricultural Trade Advisory Committees. We encourage you to
16 bring your eyes for the WTO to the upcoming meetings.

17 In all our activities, we want to send a clear
18 message to the rest of the world that agriculture is a top
19 priority for the United States and that we remain fully
20 committed to open markets and fair trade. But we need your
21 support and advice to make sure that trade agreements
22 continue to work for American farmers and for U.S.
23 agribusiness. Please do not hesitate to send us your views
24 via the Internet or a letter to the USDA or to the USTR.

25 In conclusion, U.S. agriculture is already a

1 globalized industry. It is inevitable that globalization in
2 agriculture will continue. To establish the best
3 international rules for U.S. agriculture, we must stay
4 engaged in the negotiation of trade agreements. Our next
5 major opportunity is the upcoming WTO round.

6 Thank you for your interest today, and we hope,
7 throughout these important negotiations.

8 CO-MODERATOR LYONS: Thank you, Jessica, for that
9 overview. Before we continue, I'd like to introduce another
10 one of our panelists. Patti Garamendi, who currently serves
11 as the Assistant Deputy Administrator for the Farm Service
12 Agency with the USDA in Washington D.C. Patti has been a
13 good friend of mine for many years and has been an advocate
14 for California agriculture and agriculture in general.

15 Patti, would you have a few comments.

16 USDA ASSISTANT DEPUTY ADMINISTRATOR GARAMENDI:
17 Secretary Lyons, I would just like to say that I oversee all
18 of the farm programs for the nation, but everybody accuses me
19 of keeping a very keen eye on California and how all of our
20 programs impact here. And I want the audience here to know
21 that your new Secretary Lyons, brings a very high energy
22 level to Washington D.C. He's been back there meeting with
23 all of the Congress Members and making sure that everybody is
24 thinking California Agriculture.

25 And of course, we are very, very fortunate in

1 California to have Deputy Secretary Rominger, second in
2 command for the whole USDA. And he is so respected and he's
3 been very much a leader in all of the world trade
4 negotiations.

5 And I was trying to keep up with him yesterday down
6 in the Salinas Valley with some of the cut flower industry
7 folks, and let me tell you, we have the very best and you are
8 well represented. And thank you for letting me be part of
9 this listening session. And good luck to our negotiators,
10 we're counting on you.

11 CO-MODERATOR LYONS: Thank you, Patti. I'll turn to
12 my colleague Sheldon Jones to say a few words. Sheldon Jones
13 is the Director of Arizona's Department of Agriculture.
14 Sheldon is a fourth generation Arizonian and grew up on a
15 ranch near Mesa, Arizona. Sheldon and I share a great deal
16 more in common than both heading our State Departments of Ag.
17 We both come from a cattle background. We both have four
18 children and we both are committed to trade.

19 Sheldon.

20 CO-MODERATOR JONES: Thank you, Mr. Secretary. I
21 want to join my colleagues in thanking you and your staff for
22 the great job you've done and also the Speaker this morning
23 for the breakfast. On behalf of Governor Jane Dee Hull,
24 Governor of Arizona and the State of Arizona, the Department
25 of Agriculture. From Arizona and our \$6.3 billion

1 agricultural industries, I wish to thank US Secretary of Ag,
2 Dan Glickman and U.S. Trade Representative Charlene
3 Barshefsky for scheduling this series of listening sessions.

4 I commend your effort to learn of the
5 recommendations of the ag community on what the trade
6 objectives of the United States should be in the next round
7 of negotiations for the Seattle Ministerial and the free
8 trade area of the Americas.

9 Recently, the Arizona Department of Agriculture had
10 the opportunity to participate in the formation of a
11 coalition, the coalition that we know as NFACT, with the
12 Departments of Agriculture from New Mexico, Florida,
13 California and Texas. NFACT represents over 23 percent of
14 total U.S. agriculture cash receipts as well as 25 percent of
15 the entire U.S. delegation.

16 Agricultural exports from the states represented by
17 NFACT in 1997 were estimated to be over \$5 billion. Among
18 the positions of these five states, we have gained consensus.
19 And one of those issues is the issue of international trade.
20 While we represent varied constituencies, our concerns with
21 the fundamental agricultural trade issues are very similar.
22 Our concerns with fundamental agricultural trade -- wait, I
23 just said that didn't I?

24 My comments today will reflect many of the concerns
25 that the NFACT coalition has expressed to the U.S. Department

1 of Agriculture, the Office of the U.S. Trade Representative
2 and Members of Congress in our recent visits.

3 The World Trade Organization today is a result of 50
4 years of American leadership in the creation of an
5 international trading system. This system was designed with
6 the primary goal of tearing down foreign trade barriers and
7 promoting a singular rule of law in the arena of
8 international trade.

9 The WTO has worked to cut tariffs and quotas on farm
10 and ranch products worldwide. However, many will agree
11 there's much more to be accomplished. Today, I will touch on
12 five issues which the State of Arizona views as critical to
13 the success of any international trade system for
14 agricultural products.

15 Those issues are reduction of foreign subsidies and
16 tariffs, implementation of rules for perishable and seasonal
17 commodities, dispute resolution mechanisms, adherence to
18 sanitary and phytosanitary agreements, and transparent market
19 access for genetically modified organisms.

20 The Arizona Department of Agriculture supports the
21 unilateral reduction of foreign subsidies and tariffs on all
22 agricultural products. Ample time has passed since the WTO
23 initiated agricultural trade reform. And it should not be
24 unrealistic to expect the WTO member countries to have
25 significantly reduced agricultural dependence on governmental

1 support.

2 The 1996 Farm Bill clearly established the
3 expectation that U.S. agricultural industries will learn to
4 compete internationally without subsidization or face going
5 out of business.

6 The days of heavy governmental assistance for
7 farming and ranching in this country are over. This, as we
8 all know, just isn't the case throughout the rest of the
9 world. Without the elimination of the governmental subsidies
10 of WTO member countries, Arizona's and the United States'
11 agricultural industries are at a substantial disadvantage.

12 Equally important is the issue of tariffs placed on
13 ag products. The Arizona Department of Agriculture supports
14 the reciprocal reduction of tariffs with WTO member countries
15 on U.S. agricultural products. The tariffs on fruits and
16 vegetables entering the United States, for example, are among
17 the lowest in the world. Legitimately, the agricultural
18 producers of Arizona believe that reciprocity should be
19 granted on all such tariffs and WTO member countries be
20 uniformly reduced. It also warrants clarification that true
21 reductions in tariffs should be thorough in nature. That is,
22 not only should the boundary be addressed when reductions are
23 made, but rather the currently applied rate should be
24 addressed simultaneously.

25 If the applied rate is not addressed, oftentimes

1 the tariff reductions are meaningless. The Arizona
2 Department of Agriculture supports the implementation of
3 rules for the trade of perishable and seasonal commodities.
4 In fiscal year 1997, Arizona agricultural operations raised
5 everything from artichokes, cotton and corn to honey,
6 tomatoes and watermelons, generating nearly \$2.2 billion in
7 cash receipts for marketing needs.

8 While Arizona produces a variety of crops, second
9 only to the State of California in diversification, a great
10 number of commodities produced in my state are seasonal and
11 perishable in nature. Presently, no specific rules exist to
12 deal with the trade of perishable and seasonal commodities.
13 When asked if specific rules for perishable commodities were
14 needed at the ag forum, immediately preceding the free-trade
15 area of the America's Business Forum and the former head of
16 the Uruguay Round agriculture negotiating team, agreed that
17 specific rules would be both helpful and advisable.

18 Because we produce a tremendous number of fruits and
19 vegetables, as well as live animal agriculture, the Arizona
20 Department of agriculture calls for the development of trade
21 rules for these perishable and seasonal commodities.

22 The Department also supports the implementation of a
23 workable and meaningful dispute resolution mechanism.
24 Presently, Arizona believes that the avenues for dispute
25 resolution within the WTO inadequately suit the needs of

1 perishable or seasonal commodities. By their very nature,
2 these commodities require timely solutions to ensure that
3 perishable shipments are not lost to bureaucratic or
4 political mechanisms.

5 In the new round of negotiations, Arizona recommends
6 that the U.S. solicit clarification of the dispute settlement
7 process with strong enforcement mechanisms, limited
8 settlement appeals and strict compliance deadlines.

9 The Department supports the Uruguay Round agreement
10 on sanitary and phytosanitary measures. Despite the adoption
11 of the Uruguay Round Agreement on sanitary and phytosanitary
12 measures, also known as SPS, a number of WTO member countries
13 continue to impose sanitary and phytosanitary measures, which
14 are questionable in nature and lack a basis in sound
15 science.

16 These SPS measures create tremendous barriers to
17 market access abroad for U.S. agricultural products. While
18 the WTO member countries wish to reopen the SPS agreement for
19 amendment, the Arizona Department of Agriculture believes the
20 WTO's strict enforcement of the SPS agreement and the
21 adherence to these standards by all member countries is
22 essential to the success of any international trade system.

23 While increasing international trade, Arizona and
24 its border state counterparts have experienced significant
25 increased detections of plant and animal pests and diseases

1 at our borders. These detections have devastating economic
2 impacts to Arizona's ag producers if left unmanaged by the
3 U.S. and trade alliances like the WTO.

4 Unfortunately, U.S. Customs, USDA, the U.S. Food and
5 Drug Administration have not been able to provide adequate
6 border inspections and surveillance efforts due to budgetary
7 and staffing constraints. Focus must be made on the
8 enforcement of legitimate science based sanitary and
9 phytosanitary measures and not the non-tariff trade barriers
10 promulgated by other nations.

11 The Department of Agriculture supports transparency
12 to generically modified organisms, approval process and
13 market access for GMO's. I understand the Administration is
14 presently working on a position for the U.S. to take at the
15 Seattle Ministerial regarding the issue of biotechnology.

16 As a representative of the \$6.3 billion ag I am
17 tremendously concerned that the European Union's approval
18 system for biotechnology products appears to be less than
19 transparent. The Department of Agriculture continues to
20 advocate a global market access for GMOs in all WTO
21 countries.

22 Further, we believe it is imperative that any
23 process developed for the approval of GMOs is fully
24 transparent to all parties.

25 In summary, the Arizona Department of Agriculture

1 advocates and urges you to support the unilateral reduction
2 of foreign subsidies and tariff, implementation of rules for
3 perishable and seasonal commodities, dispute resolution
4 mechanisms, adherence to the Uruguay Round Agreement on SPS
5 issues and transparent market access for GMO's.

6 On behalf of the State of Arizona, the Department of
7 Ag and the Governor and the industries that we support, I
8 want to thank you for providing our local government the
9 opportunity to comment and participate in today's
10 discussions. If there's any questions, I'd be happy to take
11 them.

12 CO-MODERATOR LYONS: Thank you, Sheldon. I'd like
13 to take this opportunity to make a few comments.

14 Since assuming the position as the Secretary of Food
15 and Agriculture for the State, I've dedicated considerable
16 amount of time and energy to focusing on U.S. policymaker's
17 attention on specialty policy needs of California
18 agriculture.

19 I've joined forces with a number of my colleagues
20 from specialty agricultural states to form a coalition that
21 was NFACT. NFACT, which is derived from the New Mexico,
22 Florida, Arizona, California and Texas is designed to address
23 issues of great important to our states and the diverse
24 agricultural industries we represent.

25 I was in Washington D.C. last week with a number of

1 my NFACT colleagues including Arizona Director, Sheldon
2 Jones. I had the opportunity throughout the week to speak
3 with a number of policymakers about the specialty crop policy
4 needs of the west. Foremost is trade policy. International
5 trade is critically important to the economic health of this
6 state's agricultural industry with a significant impact of
7 other industries, such as transportation, banking, local
8 economies and the local workforce.

9 California leads the nation in agricultural
10 exports. The total value of California agricultural exports
11 in 1997, for example, was nearly \$7 billion. California
12 depends heavily on the purchasing power of overseas
13 customers. Nearly 20 percent of all California's
14 agricultural production is shipped to foreign markets. The
15 reality, however, is that California's specialty crops are
16 much more dependent on export markets.

17 Some commodities like almonds export two-thirds of
18 their production. Additionally, California producers of more
19 traditional commodities such as cotton are more reliant on
20 exports than growers in other parts of the nation. Producers
21 of California's unique staple export four-fifths of all of
22 their production. Our continued success in the international
23 marketplace demands further progress with lower tariffs,
24 reduced barriers and we need to strengthen trade adherence
25 mechanisms for agricultural products, all items included in

1 the Uruguay Round of negotiations.

2 The next round of negotiations needs to build on the
3 Uruguay Round agreement, which has helped boost agricultural
4 exports through meaningful trade reform. The Uruguay Round
5 was only the first step toward a global cultural trade
6 organization. The next round of negotiations must address
7 issues important to California's specialty, perishable and
8 traditional agricultural commodity industries.

9 While in Washington D.C., my colleagues from
10 Arizona, Texas, Florida and New Mexico joined me in calling
11 for further WTO enforcement of scientifically based sanitary
12 and phytosanitary regulations, the development of workable
13 and timely safeguard mechanisms for seasonal and perishable
14 commodities, implementation of rapid dispute settlement
15 resolution procedures, further negotiations on market access
16 and the elimination of tariff and non-tariff barriers to
17 trade.

18 The agenda should include continued discussion on
19 substantial and progressive reduction in the remaining
20 agricultural support and protection. I believe you will hear
21 from a number of individuals today with justifiable concerns
22 regarding unfair subsidization by foreign competitors.

23 For California the upcoming Ministerial meeting
24 offers a real opportunity to push for a global trade
25 organization that can significantly impact agriculture's

1 competitiveness. You will hear today from a number of
2 industry representatives offering greater detail about trade,
3 concerns and opportunities. And I strongly request that
4 those views will be reflected in the policy positions taken
5 by our federal negotiators in the next round of WTO
6 negotiations.

7 I look forward to working with the United States
8 Department of Agriculture, the United States Trade
9 Representative's Office and our Congressional delegation to
10 affect trade policy matters and to recommend changes in U.S.
11 law to protect and promote free trade of agricultural
12 products.

13 At this time, we're going to take a brief break.
14 We'd like to reconvene the session say approximately at
15 10:20. So if you could be back, I'd appreciate that.

16 Thank you.

17 (Thereupon a brief recess was taken.)

18 CO-MODERATOR LYONS: Id like to begin the session
19 please. Before we begin the opening session, listening
20 session, I'd like to introduce my Undersecretary, Juan
21 Villarreal.

22 Juan.

23 ACTING CO-MODERATOR VILLARREAL: Good morning.

24 CO-MODERATOR LYONS: Juan may be taking my spot for
25 a few minutes today. The State of California is signing

1 their budget today and I've been requested, as a cabinet
2 member, to attend that budget signing. I think it's the
3 first time in 15, 20 years that we've been on time, so I plan
4 to leave for just a few minutes to attend the signing of our
5 budget.

6 Also Deputy Secretary Rominger has a few more
7 introductions.

8 Mr. Rominger.

9 USDA DEPUTY SECRETARY ROMINGER: Thank you. I
10 mentioned in my opening remarks that we have a couple of State
11 Directors of our Farm Service agencies here. Val Dolcini,
12 why don't you waive your hand, Val, so people know who you
13 are. There's Val back there from California. George
14 Arredondo from Arizona back there. Now, we also have Wendell
15 Newman, State Director from Nevada, who's down there. He
16 says they sell a lot of hay to California farmers, California
17 dairies, so he wants to make sure his trade keeps working.
18 We also have our State and Rural Development Director with us
19 here today, Celeste Cantu.

20 Thank you.

21 Bill, back to you.

22 CO-MODERATOR LYONS: Thank you, Deputy. We have our
23 first panel today and I'd like to remind them that they have
24 three minutes. And the Chairman of today's Session, our
25 Secretary Mr. Lyons, will handle the gavel. So we have a

1 little light system up there, which is green, yellow and red.
2 The red means that the Chairman will cut you off.

3 (Laughter.)

4 CO-MODERATOR LYONS: So I just want to make sure
5 that that's clear.

6 On our first panel today we have Don Gordon from the
7 Ag Council of California, Jasper Hempel from Western Growers
8 Association, Sharan Lanini from American Agri-Women and Bill
9 Pauli from the California Farm Bureau. Our first speaker is
10 Don Gordon.

11 Don.

12 MR. GORDON: Good morning, panel members. I'm Don
13 Gordon, president of the Agricultural Council of California.
14 We are a trade association that represents 48 agricultural
15 cooperatives and their 25,000 producer-owners on State public
16 policy issues.

17 Approximately 28 percent of the \$6.7 billion worth
18 of California agricultural exports in 1997 was transacted
19 through cooperatives. For many, exports represent 60, 70 or
20 as much as 85 percent of their total business volume. With
21 this much at stake, U.S. trade policy is critically important
22 to our California cooperatives.

23 With this in mind, I have four points that I will
24 briefly summarize.

25 First, we recommend that the Administration

1 aggressively pursue Congressional approval of Fast-Track
2 authority. In doing so, however, we would caution that a
3 significant degree of skepticism exists in California
4 agriculture over the implementation and effectiveness of
5 previous trade agreements.

6 Therefore, we believe that it's critically important
7 for the Administration to take heed of the many concerns
8 raised during today's forum and provide assurance that these
9 issues will be addressed during the upcoming negotiations. I
10 also urge that clear lines of communication be established
11 with California agriculture during the negotiating process.

12 Secondly, I want to express our appreciation for the
13 Administration's strong support for foreign market
14 development and promotion activities. The continued funding
15 of the Market Access Program and similar programs is
16 critically important to California cooperatives. To the
17 extent these programs remain permitted policies under the
18 WTO, we urge they continue to be funded to the fullest extent
19 possible.

20 My third comment relates to genetic engineering and
21 biotechnology. The population of California's great central
22 valley is projected to double within 25 years. In order to
23 accommodate this growth, we anticipate tremendous expansion
24 of new housing and commercial development onto agricultural
25 land. Scientific innovation will be critical to keeping our

1 producers efficient and competitive, while using less land,
2 less water, fewer pesticides and adhering to stricter
3 environmental regulation.

4 Therefore, to the extent the use of genetic
5 engineering and biotechnology become issues in WTO
6 negotiations, our trade representatives must take a strong
7 stand against those who may seek to label, restrict or
8 eliminate the use of these critically important technologies
9 in the production of our agricultural products.

10 My final comment relates to one potential side
11 effect of trade liberalization and that is the likelihood
12 that increased numbers of exotic pests and diseases will be
13 introduced into our State.

14 Exotic pest infestation is already problematic in
15 California. Fortunately, our federal and State governments
16 have been very responsive in providing the necessary funding
17 to conduct effective, exclusion, detection and eradication
18 programs.

19 However, as global trade increases, more tension
20 will have to be given to preventing infestation by exotic
21 pests and diseases. Our government must be prepared to deal
22 with this increased threat and be willing to commit the level
23 of resources that will be needed to maintain the
24 effectiveness of our pest and disease defense programs.

25 Thank you for allowing me the opportunity to present

1 these remarks this morning.

2 CO-MODERATOR LYONS: Thank you, Mr. Gordon.

3 Mr. Hempel.

4 MR. HEMPEL: Thank you, Mr. Secretary and members
5 and thanks to Secretary Glickman and Trade Representative
6 Barshefsky for holding these hearings. I'm Jasper Hempel.
7 I'm the senior vice president for government and legal
8 affairs for Western Growers Association, which is an
9 agricultural trade association representing farmers, growers,
10 packers and shippers of fresh fruits and vegetables and nuts
11 in California and Arizona.

12 Our members produce and ship over 50 percent of the
13 fresh fruits, vegetables and nuts consumed in the United
14 States. We have previously submitted a written statement to
15 you. And in that written statement, we've identified our top
16 ten goals for the upcoming trade negotiations. I strongly
17 encourage you to review that and to make that as part of the
18 record of this proceeding.

19 In my verbal comments, I want to focus on two issues
20 which are critically important to us and then I will briefly
21 describe in one sentence the other goals.

22 The first priority goal that we have is the
23 elimination of the European Union's domestic support and
24 export subsidy. Our fruit and vegetable growers supported
25 the Uruguay Round negotiations because we thought these

1 subsidies would be eliminated. However, today the EU is
2 shifting its subsidies in many sectors and even providing new
3 subsidies to various crops. Let me give you a few examples.

4 Our sources in Europe inform us that this year there
5 is a \$2 billion subsidy to the fruit and vegetable sector,
6 which includes \$55 million in export refunds, a new \$2
7 billion subsidy for rural development for fruits and
8 vegetables and an Improvement Fund of \$1.5 billion for fruits
9 and vegetables. This is over \$5.5 billion per year, plus
10 billions in subsidies for the EU olive and wine industries.

11 This insidious subsidization must stop. And I ask
12 you how does our federal government expect us in the United
13 States to effectively compete with these aggressive EU
14 subsidies in place. And I was very delighted to hear that
15 you have looked at this as a priority for yourselves.

16 The U.S. fruit, vegetable and nut sectors are
17 competitive, but it's grossly unfair for our growers to have
18 to continue to combat competitors with such strong government
19 intervention. We request that you make this your top
20 priority as you begin your trade negotiations in this new
21 round.

22 The second item I want to focus on is we support the
23 full transparency in WTO operations and in WTO member country
24 reports on domestic and export subsidy programs. Since the
25 Uruguay Round did not require reporting of subsidies on

1 individual crops, it is impossible for us to get specific
2 information on EU support to individual fruits and vegetables
3 unless there is a specific line item in the EU budget.

4 For example, if our broccoli industry wants to know
5 the subsidy that your pea and broccoli producers get, this
6 information simply isn't available to us. And we are asking
7 ourselves how can we invest in the future if we don't know
8 what subsidies our competitors are reaping. We believe that
9 this type of information should be made available prior to
10 the start of new negotiations and that the new trade round
11 should include requirements for governments to provide more
12 specificity in reporting their level of subsidies to
13 individual crops.

14 Our other top ten items are in our written
15 statement.

16 Thank you.

17 CO-MODERATOR LYONS: Thank you, Jasper.

18 Sharan.

19 MS. LANINI: Yes. My name is Sharan Lanini. I
20 represent American Agri-Women which represents over 50
21 commodity and affiliate organizations throughout the nation.
22 American Agri-Women supports careful monitoring of existing
23 trade agreements, international treaties and activities of
24 the United Nations to ensure equitable treatment of U.S.
25 Agricultural interests.

1 AAW supports cooperative efforts for international
2 market development and promotion programs. AAW supports
3 strict implementation of international trade rules to prevent
4 unfair practices by competitive countries and to require full
5 compliance with existing trade agreements.

6 AAW supports the development and incorporation of
7 biotechnological tools into ag research and production.
8 Honoring the biotech industry's statement of mission and
9 ethics AAW respects the power of biotechnology and the
10 ability to apply it to the benefit of humankind.

11 AAW supports the pursuit of biotechnical
12 applications that promise to save lives or improve the
13 quality of life while avoiding applications that do not
14 respect human rights or carry the risks that outweigh the
15 potential benefits.

16 AAW believes strongly that the technology of
17 genetically modified organisms is touching agriculture across
18 our nation and globally, by providing a shrinking number of
19 farmers with the tools to produce a safe and abundant food
20 supply for the world.

21 We likewise feel that U.S. farmers and ranchers must
22 be able to utilize biotechnology and GMO products in all
23 avenues of global trade without the unscientific and
24 irrational application of unfair trade barriers to future
25 exports.

1 Therefore, we urge the USDA and the U.S. Trade
2 Representative to include these issues of U.S. producers and
3 developers, utilization of scientifically valid biotechnology
4 methodology, and the resulting GMO's as a strong component of
5 the upcoming Seattle round of WTO negotiations.

6 Thank you.

7 CO-MODERATOR LYONS: Thank you. Our final speaker
8 on this panel, Mr. Pauli.

9 MR. PAULI: Thank you, Mr. Chairman. The California
10 Farm Bureau Federation appreciates the opportunity to be
11 present today and to make our various comments. My name is
12 Bill Pauli. I'm president of the California Farm Bureau and
13 I'm a wine, grape and pear farmer from Mendocino County.

14 Agriculture is one of the few U.S. industries that
15 consistently runs a trade surplus, posting a positive balance
16 of trade every year since 1960. The U.S. along with
17 agriculture must be at the negotiating table in the next WTO
18 round in a meaningful way with trade negotiating authority to
19 ensure that the trade surplus continues.

20 Despite significant progress in opening U.S.
21 markets, world agriculture remains one of the most protected
22 and subsidized sectors of the world economy. U.S.
23 agricultural producers are placed at a competitive
24 disadvantage due to the growing number of regional trade
25 agreements among our competitors.

1 Chile, a major exporter of fresh produce to the
2 United States, has virtually unlimited access to our markets.
3 On the other hand, California producers face an 11 percent
4 tariff when exporting to Chile. This tariff is not realized
5 by our Canadian and Mexican competitors due to the regional
6 trade agreements. California farmers are severely
7 disadvantaged because of our nation's inability to foster new
8 trade agreements like the one between Canada, Mexico and
9 Chile.

10 U.S. leadership of the global trade liberalization
11 agenda has paid off for American agriculture and most
12 California farmers. If the United States now leaves it to
13 others to form new trade pacts and write future rules for
14 trade, U.S. farmers, processors and exporters will be
15 severely disadvantaged. We're counting on this
16 administration and the Congress to ensure that California
17 farmers and ranchers have a significant place at the
18 negotiating table. Agriculture needs your commitment to not
19 only develop strong agreements but to enforce these
20 agreements as written to ensure that fair trade is as much of
21 a reality as free trade.

22 The objectives of the next round. First, we believe
23 the new negotiations must include a recommitment to binding
24 agreements to resolve sanitary and phytosanitary issues based
25 on scientific principles in accordance with the WTO agreement

1 on sanitary and phytosanitary measures.

2 Second, the next round should result in tariff
3 equalization and increased market access by requiring U.S.
4 trade partners to eliminate tariff barriers with specific
5 time frames. Agriculture tariffs worldwide average about 50
6 percent where U.S. tariffs average about five percent.

7 Our producers compete openly in domestic markets
8 with foreign competitors, but are shut out of export markets
9 due to prohibitively high tariffs.

10 Finally, we continue to ask that an equitable
11 dispute resolution process be established for perishable
12 agricultural products. This process should consider pricing,
13 cost reduction and import surges, with triggers established
14 through historical market access that would automatically
15 begin a U.S. investigation. This is extremely crucial for
16 California minor crops, many of which have neither the
17 resources nor the number of farmers necessary to instigate
18 government action.

19 As stated earlier, California agriculture, as a
20 whole, has been very successful competing in the market. We
21 plan to continue this success well into the future, but we
22 cannot do it alone. We will continue to support
23 liberalization in global agricultural markets that result in
24 true reform of the current trading regime and bring about
25 fair trade for our farmers.

1 While we in agriculture will do our part, we expect
2 our government to do its part in expanding not only free
3 trade but fair trade.

4 Thank you.

5 CO-MODERATOR LYONS: Thank you very much. And first
6 of all, I'd like to thank the panel for staying within that
7 three-minute time frame.

8 We do have some time available for our committee to
9 ask questions of the panelists. I'd like to open that up if
10 there are questions.

11 USDA DEPUTY SECRETARY ROMINGER: A couple of you
12 mentioned biotechnology. I'm wondering if you have any
13 advice for us or for your fellow members in agriculture given
14 the way that things are going in the European Union, how we
15 make some headway with them? The EU Environmental
16 Commissioners just voted to put a complete stop to any
17 approvals of any new GMO products. Do you have any advice
18 for us?

19 CO-MODERATOR LYONS: If I could, too, please, when
20 you get back on the microphone introduce yourself again, so
21 we know who responded to the question.

22 Thank you.

23 MR. GORDON: Don Gordon, Agricultural Council. I
24 wish I did have advice for you, Mr. Rominger. That's a tough
25 issue. In fact, the last issue of the Economist, that was

1 its front-page article. And we're in a serious situation,
2 from what I gather, a serious movement in Europe right now.
3 I think we're lucky that it's not happening in the United
4 States, but who knows.

5 I think that we as industry have an obligation to
6 perhaps do what we can do maybe through the university or
7 some other avenue to start educating people about the
8 importance of biotechnology and come up with the sound
9 scientific reasons that you need to help you make the
10 argument and make your case with trade representatives.

11 MS. LANINI: Sharan Lanini from American Agri-Women.
12 I would stress that we be sensitive to the different members
13 of the EU that are reacting to this on a very emotional basis
14 unfortunately, but try to, through sound science, get the
15 benefits of biotech to the consumer level, so that they
16 understand the true benefits and the potential of this
17 technology.

18 USDA DEPUTY SECRETARY ROMINGER: Thank you.

19 ASSISTANT U.S. TRADE REPRESENTATIVE MURPHY: I'd
20 just like to follow up on the biotech question. I think, Mr.
21 Gordon, you had indicated in your statement an opposition to
22 labeling of biotech products. And my question here is in
23 regards to the European Union, where, as you know, they have
24 a regulation in place mandating labeling. It's an incomplete
25 statute with regulations yet to come.

1 But the real question here is that given the seeming
2 demand of European consumers for labeling, opposition to that
3 and resistance to it, at least, some people believe makes the
4 situation worse in terms of overcoming this reluctance in the
5 European consumer to accept the technology. So I just want
6 to see, in light of that, if you have a different view or in
7 spite of that you will still oppose labeling of
8 bioengineering firms?

9 MR. GORDON: Well, I think it still goes back to the
10 science. As I understand, they don't have a solid scientific
11 basis for asking for the labeling. I mean if good science
12 dictates that these products must be labeled, then we don't
13 have a case possibly. On the other hand, I think the science
14 will be there to prove that these products are indeed safe
15 for the consumers. And that's the job that we all have a
16 responsibility to make sure happens.

17 ASSISTANT U.S. TRADE REPRESENTATIVE MURPHY: Thank
18 you.

19 AMBASSADOR BAAS: Since everyone seems to be asking
20 a biotech question, let me ask one too. One thing that
21 people mention as a possible resolution to the problem is
22 segregation of non-GMO products and GMO products. And
23 obviously that has lots of implications for costs for how one
24 ships. And we've heard a lot about this in previous sessions
25 from basically bulk commodity producers. Not surprisingly,

1 they see some problems with it.

2 I'd be interested to hear how this might work in
3 California products. Is segregation a possibility, a logical
4 possibility, if, in fact, you know, for example you can
5 produce GMO products for the domestic market and non-GMO
6 products for the European market? Is that possible?

7 MR. HEMPEL: Good luck.

8 MR. GORDON: I'm just hazarding a guess. At this
9 point, I would say no. Again, I'm looking at the future. As
10 I said in my statement, just given the population growth
11 we're going to have in the central valley, and the need for
12 producers to cut back on their use of land, cut back on their
13 use of pesticides, cut back on their use of water, and all
14 the environmental regulations, innovation is going to be
15 critical. And to the extent that's going to affect or have
16 an effect on food at the end of the chain that's on the
17 retail shelf, I don't know how you separate it out.

18 But I think, at least in California, with the
19 exception of maybe just a very few commodities, the impact of
20 what is out there in the future hasn't quite taken hold yet.
21 But we're going to get there because we have no other choice.

22 MR. PAULI: Bill Pauli. When you reflect on the
23 worldwide economy that we have today, and the fact that so
24 many of our processor/producer/suppliers are really worldwide
25 processor/producers, whether you're talking about processed

1 vegetables or fruits or non-processed vegetables, I mean
2 where would you stop between whether they come from Mexico or
3 Canada or the United States blended with other products and
4 other components.

5 I mean it simply becomes a quagmire that I don't
6 think anyone can effectively deal with and continue to
7 provide a reliable supply of food at a very low cost on a
8 year round basis. At some point, somebody is going to have
9 to deal with the cost side of the equation. I mean we can
10 label anything. It's just a question of who's going to pay
11 and ultimately the consumer will pay. And I think that's
12 where it's going to really meet the road.

13 ACTING CO-MODERATOR VILLARREAL: Any further
14 questions?

15 AMBASSADOR BAAS: Can I have one other question, and
16 I think it's for Mr. Pauli. You mentioned an equitable
17 dispute settlement dispute procedure for perishables and
18 we've heard about that in some other listening sessions as
19 well. And I would welcome any suggestions that you or any
20 other panel member has as to what that might look like. I
21 mean would you have -- it seems to me if it's a perishable,
22 you'd have to have something that kicked in fairly quickly or
23 it would be too late. I mean even two weeks could be too
24 late I suppose. So what sort of ideas, if any, do you have?
25 Or if you don't have some now, could you provide some later?

1 MR. PAULI: We'd be happy to provide some. You
2 know, as you know, it's really a complex issue based on which
3 kind of product, you know, where some will have longer shelf
4 life, more adaptability to storage than others. That
5 complicates it as well. We're happy to respond in writing to
6 that.

7 AMBASSADOR BAAS: Thank you.

8 ACTING CO-MODERATOR VILLARREAL: Yes.

9 USDA ASSISTANT DEPUTY ADMINISTRATOR GARAMENDI: My
10 question is to Mr. Hempel. You talked about the subsidies,
11 that \$2 billion subsidy that you used, providing for fruits
12 and vegetables. That makes me very concerned about our
13 farmers. How do they implement that? I mean, how are they
14 --

15 MR. HEMPEL: I'm not sure I can answer that question
16 specifically how they get the money to the growers. But we
17 can provide you with an answer to that.

18 USDA ASSISTANT DEPUTY ADMINISTRATOR GARAMENDI:
19 Thank you.

20 ACTING CO-MODERATOR VILLARREAL: Any further
21 questions for the panelists?

22 Thank you very much. We appreciate hearing from
23 you. I'd like to have members of Panel Number 2 approach the
24 bench. If possible, I'd like to you have sit in the order in
25 which you are presenting from left, your left to right.

1 Thank you. Our first speaker will be Tom Avinelis
2 from the California Olive Association.

3 MR. AVINELIS: Thank you very much. My name is Tom
4 Avinelis. I'm a California olive grower and here today
5 representing the California Olive Association.

6 Our association is made up of both growers and
7 processors. We handle approximately 85,000 to 160,000 tons
8 of olives per year. Over 85 percent of our production goes
9 into the producing of black ripe olives. We have
10 approximately 1,200 growers in range of size from five to a
11 thousand acres.

12 Our production alternates from year to year, but
13 with our proper marketing management we're able to supply our
14 industry with a consistent product for the retail consumer.
15 And, however, our suppliers for food service agencies have
16 been disrupted recently due to increased imports of smaller
17 black ripe olives at prices that cannot be matched by our
18 domestic industry.

19 Almost all of these olives, black style, are
20 imported into this country from European Union, primarily
21 from Spain. In fact, these imports now have about 50 percent
22 of the food service business. There's five key issues I'd
23 like to cover today that greatly affect our industry.

24 First, I feel that no U.S. tariff reductions should
25 go into place until the EU subsidies are eliminated. In 1997

1 \$2.5 billion of subsidies went to the olive industry in
2 Spain. An additional \$2.5 billion of subsidies went to the
3 vegetable and fruit producers, a portion of which also went
4 to the olive industry.

5 Further, last July, the EU also approved a new
6 subsidy program for the olive sector which went into effect
7 for the next three marketing years. Our industry was
8 astonished to learn about this program. We believe at the
9 Uruguay Round that there was going to be a reduction in
10 subsidies, and our members do not understand how this could
11 happen. It appears negotiations and negotiators allowed
12 Europe to reduce tariffs, but create new subsidies where
13 there'd been none before.

14 Under this new subsidy program, Spain will receive,
15 in the 1998/99 marketing year, approximately seven and a half
16 cents per pound on 238,000 pounds or \$37.4 million. This is
17 equivalent to about \$150 a ton, equivalent in the United
18 States.

19 The U.S. olive industry is small but we've made
20 major gains in the last decade for efficiency. However, in
21 the face of this tremendous competition, it's curtailed our
22 ability to be able to compete.

23 Tariffs must be more symmetrical. There is an
24 enormous differentiation between U.S. Tariffs and other WTO
25 tariffs. And this issue of transparency is greatly affecting

1 our industry also. The domestic olive industry is not fully
2 certain how many of these programs are currently being
3 implemented in the UA, but there are subsidies that go
4 directly to growers, there are subsidies on an export per
5 kilo or 30 pesetas per kilo program that go to exporters and
6 a new program going into place that will be a direct per tree
7 subsidy for all growers within Spain. Regardless what tariff
8 factors are, we cannot compete against this kind of subsidy
9 factor.

10 Also, we believe that the FTAA holds great promise
11 for the California olive industry in reducing all tariffs and
12 allowing free marketing into all of the Americas. Yet, as
13 long as subsidies continue to remain in Spain, we still will
14 not have a competitive edge. We already are at a great
15 detriment with our labor factors, which is anywhere from two
16 and half times greater than that in Europe, to as much as ten
17 times greater than that in Mexico, with the environmental
18 restraints at our processors and that our industry has placed
19 upon itself to be able to be sure that we can produce the
20 safest food in the world.

21 But we feel that we're up to this challenge as long
22 as we can play on a more even playing field.

23 Fair trade is the key.

24 ACTING CO-MODERATOR VILLARREAL: Thank you, Mr.
25 Avinelis.

1 MR. AVINELIS: Thank you very much.

2 ACTING CO-MODERATOR VILLARREAL: Mr. Adin Hester.

3 MR. HESTER: Good morning, ladies and gentlemen. My
4 name is Adin Hester and I'm the president of the Olive
5 Growers Council of California, a statewide organization of
6 family farmers producing olives for the black ripe canning
7 industry. I want to take this opportunity to thank you for
8 listening to our trials and tribulations. We recognize we're
9 a small industry, rather insignificant in the total picture
10 of things, but we also want to inform you that there is some
11 real pain that's happening down on the farm.

12 California is the only commercial producing olive
13 State in the nation with about 37,000 acres, which
14 incidentally is down from about 43,000 a few years ago. The
15 average grower has 25 to 30 acres, so it's truly a small
16 family farm operation. Unfortunately, by the virtue of our
17 small nature, many of our growers are being discriminated
18 against as the industry has gone through tremendous
19 consolidation thanks, in part, to a heavy influx of imports
20 coming from off shore.

21 Why has this happened? In our opinion, it's because
22 we have a seriously flawed international trade policy, a
23 trade policy that does not take into consideration the
24 downside impact of what they may negotiate and how it may
25 impact small specialty growers in California.

1 It's apparent that the Government is either not
2 aware or really doesn't care about the dilemma that we're
3 in. Ted Koppel presented a special not too long ago that
4 aired, unfortunately at 11:30 at night, that was entitled
5 "Silent Surrender" that spoke to the economic cancer that has
6 destroyed American agriculture. With all due respect, I was
7 disappointed when Secretary Glickman, interviewed for the
8 program, suggested that the economic pain was not so much in
9 California but more in the midwest. That simply is not
10 true.

11 I don't have a clue as to why farm communities in
12 this country have a problem getting our message to
13 Washington. But there's one reason that we deal with the
14 international trade problem and that's because the U.S.
15 market is a good one for foreign producers. Their
16 governments recognize the benefit of our market. They also
17 recognize the benefit of a highly desirable U.S. dollar.
18 Even the quote, "most honorable European Union," has
19 subsidies in place that were supposed to have gone away a
20 long time ago. And there shouldn't be supports. And we
21 believe in a free market system, but our trade partners
22 continue to provide subsidies that damage the small family
23 farm operation.

24 You sit here and you listen to our concerns and
25 problems and I pray that you hear what we have to say.

1 I must also comment on NAFTA. NAFTA was supposedly
2 an economic trade miracle for the American producer.
3 Unfortunately, it has been the reverse for the olive
4 industry. Thanks to cheap labor and expansive amounts of
5 land, a lot of olives are being planted in Mexico. And the
6 other thing we're concerned about is whether or not NAFTA
7 properly addressed the trade -- or the trans-shipping
8 problem, because as we see it, Italy and Spain are currently
9 spending a lot of money planting olives in Mexico just south
10 of our border.

11 And we're also very concerned about the problem with
12 the olive fruit fly that has come into being, because now we
13 see it in southern California and we have lot of fresh olives
14 moving from Mexico through the central valley into northern
15 California.

16 And that is a major concern.

17 ACTING CO-MODERATOR VILLARREAL: Mr. Hester, thank
18 you very much for your comments.

19 MR. HESTER: Thank you.

20 ACTING CO-MODERATOR VILLARREAL: Mr. Ron Schuler.

21 MR. SCHULER: Good morning, I'm Ron Schuler,
22 President and Chief Executive Officer of California Canning
23 Peach Association and this is the position I've held for the
24 past 25 years. I'm testifying today as a member at large for
25 the California Cling Peach Growers Advisory Board.

1 The Board represents all 750 California cling peach
2 growers and our processors of canned peaches. This
3 represents the entire U.S. canned fruit for the canned peach
4 industry.

5 Our industry's position on the upcoming WTO
6 agriculture negotiations is shaped by our longstanding
7 dispute with Europe over illegal EU canned fruit subsidies.
8 Nearly two decades of bilateral and multilateral efforts,
9 including a GATT action, a bilateral agreement and the
10 Uruguay Round have failed to resolve this dispute or even
11 provide interim relief.

12 Not only has our industry had no relief, but EU
13 canned peach subsidies over this period have increased the
14 national subsidies. This small EU sector, predominantly in
15 Greece, receives between \$161 million and \$213 million
16 annually of EU aid. To put this in perspective, this is more
17 than the farm-gate value of the total California cling peach
18 crop and more aid than any single fruit or vegetable the U.S.
19 agriculture sector receives.

20 This exceptional level of aid has encouraged chronic
21 overproduction in Greece, allowed Greece to dominate the
22 export market, to depress global canned peach prices while
23 doing so. Our industry has lost markets in Europe, Japan,
24 Canada and even here in our own U.S. market.

25 Most recently, we are facing competition from Greece

1 and Mexico that has forced the cling peach processor, who for
2 many years has purchased raw product, fresh cling peaches,
3 from California, forced him to close his cannery in Tecate,
4 Mexico. Here we thought we had NAFTA preferential access to
5 the Mexican market. And now the Greeks are selling Greek
6 canned peaches to Mexico at a price below our cost to produce
7 canned peaches either in California or in Mexico. The
8 Mexican duty for canned peaches is 23 percent, California
9 duty is six percent and still we cannot compete.

10 Time is running there -- we are also equally
11 insistent on maintaining our U.S. Tariffs in the face of
12 increasing U.S. imports of subsidized low-price EU canned
13 peaches. We need assurances that U.S. Tariffs on canned
14 peaches, fruit mixtures and other cling peach products will
15 not be further reduced until equitable market-oriented
16 conditions are restored. This means U.S. canned peach
17 tariffs should be exempt from tariff reductions until EU
18 canned food subsidies are substantially reduced, if not
19 eliminated.

20 In conclusion, our industry needs to see that the
21 past agreements will produce the relief we are due before we
22 endorse new agreements in Agriculture.

23 We thank you very much for being out here today and
24 listening to our concerns.

25 ACTING CO-MODERATOR VILLARREAL: Thank you Mr.

1 Schuler.

2 Mr. Bill Zech.

3 MR. ZECH: Yes, thank you. My name is Bill Zech.

4 I'm Chairman of the Trade Committee for the California
5 Asparagus Commission and more importantly I'm a farmer in
6 Stockton. I want to thank you for taking the time to listen
7 to us.

8 My message is pretty simple. You have my written
9 comments. I won't read them to you. If you read them, I
10 know they're a part of the record, I would appreciate it. I
11 just want to reiterate to you, like the olives, we're a minor
12 crop, minor crop, 25,000 to 28,000 acres in the state of
13 California, gross sales \$60 million to \$70 million. But
14 trade is vitally important to our interests as Asparagus
15 farmers. And Asparagus is very important to the families
16 that grow it.

17 And that's the basic message I want you to take, I
18 hope you take with you. We've been impacted severely by
19 NAFTA. We basically have agreed to give up all the tariffs
20 and they're in the process of being reduced.

21 You know better than I, but in six or seven years
22 they'll be eliminated and they have been reduced dramatically
23 with a significant increase in Mexican Asparagus imports to
24 the United States. We're feeling that. We're feeling it
25 significantly. And it's very difficult for us to compete

1 when we're paying \$8 to \$10 an hour for labor when our
2 competition is paying \$8 to \$10 a day and working on much
3 different standards in terms of ag chemicals. And I won't
4 get into that issue per se and I'm not accusing them of
5 anything. I'm just saying there are different standards,
6 there are different laws and it's difficult for us to compete
7 on that playing field.

8 In terms of the tariffs, we also, you know, we're
9 dependent upon you. After the Uruguay Round, even after full
10 implementation, we still have a ten percent tariff in Europe.
11 It's a major customer of ours and we still have that burden.

12 Mr. Hempel talked very eloquently about the export
13 subsidies, the domestic supports and transparency issues.
14 Those all affect us too. For example, really in Europe,
15 Switzerland is a major customer of ours. They have
16 approximately, from what we can tell, maybe 200 acres of
17 Asparagus. Yet, every year we go through this song and dance
18 of licensing our Asparagus when their production comes in to
19 protect just a couple of growers. And it wreaks havoc in the
20 marketplace and it's something that we spend a lot of time
21 and effort on. We continue to pay for tariffs on virtually
22 all of our 15 export markets, Japan included.

23 In the phytosanitary area we continue to face
24 problems there. Most specifically what was frustrating us
25 this last year was Taiwan. We had numerous inquiries from

1 Taiwanese importers wanting to import our product and we
2 couldn't ship it, because the Government, in our opinion,
3 raised a red-herring issue about a burrowing nematode issue.
4 We can't find it. It's pretty tough to prove a negative.
5 And they said well, we're concerned about the burrowing
6 nematode and we said well, we don't have it. There's no
7 evidence that we have it.

8 So we -- I guess my -- in conclusion, you know, we
9 continue to have these issues. We're not a big player, but
10 we need to have a stake at the table, because we certainly
11 have a very large personal economic status in this game. So
12 thank you very much for your time.

13 ACTING CO-MODERATOR VILLARREAL: Thank you, Mr.
14 Zech.

15 Any questions for the panelists?

16 ASSISTANT U.S. TRADE REPRESENTATIVE MURPHY: First,
17 I have to thank Mr. Schuler for not engaging in any personal
18 attacks this morning, since he and I have been working on
19 this issue for a few years. I appreciated his indulgence.

20 It's clear we're hearing from a number of crops
21 which are fairly small in the larger scheme of things, but
22 which have enormous obstacles facing you. And the one we
23 seem to be hearing most of here are the EU subsidies as well
24 as access to their markets.

25 And I think it's very useful for us to hear that and

1 clearly it's something we're going to have to focus on more
2 in this coming round. And I think it would be useful, I
3 guess in the case of canned peaches, we're pretty well tuned
4 in to exactly the numbers and the problem. In case of
5 others, we would invite you to give us further advice in
6 terms of more precisely what do you -- what will you need.
7 This information not being important for the Seattle
8 Communique, which is going to be on a fairly high order of
9 generality.

10 But as we move into the negotiations themselves
11 starting at the turn of the year, it will be very useful for
12 us to have very specific information of what sort of tariff
13 reductions you need to be successful. That's of course the
14 substance of the negotiations. So it would be good for us to
15 have very precise numbers that are meaningful that we can
16 achieve.

17 And of course on the olive side, we hear very
18 clearly your problems here. And we will, I think, want to
19 get together with you a little more on specific details as
20 well. But your point that we should not reduce tariffs until
21 something is done, I think is a very good one and we take
22 that to heart.

23 Thank you.

24 ACTING MODERATOR VILLARREAL: Ambassador.

25 AMBASSADOR BAAS: I guess a brief question of the

1 olive growers. As I understand your problem, well, your
2 problem is Spanish subsidies, clearly. And I understand that
3 that's principally a problem in the U.S. market. Is it also
4 a problem in export markets, or to put it another way, if the
5 playing field was level, if the Spanish were not receiving
6 the subsidies that they are receiving, would you be able to
7 compete with them in the U.S. market, would you be able to
8 compete with them in a third market?

9 MR. AVINELIS: Currently a hundred percent of the
10 olives processed are consumed domestically from our
11 industry. We are taking major steps to gain those factors of
12 efficiency, both from the grower's side and from the
13 processor's side. The processors have spent untold millions
14 of dollars to gear up for the environmental restraints, to
15 improve food safety and to become more efficient from their
16 end of things.

17 We, as growers, have also put huge amounts of
18 research dollars into the number one issue, the cost of
19 harvesting. Olives have been hand harvested. We're
20 currently in the process of the development of a mechanical
21 olive harvester. Both myself and one other grower have put
22 large sums of personal funds into it, along with research
23 funds from the COC.

24 So we're taking these steps to gear up to become
25 efficient and compete on a worldwide basis, very similar to

1 what had happened in the scenario with Harley-Davidson and
2 the step that they took. And they are very proud to be very
3 competitive in this world today. And we plan to do the same
4 thing in the olive industry and that's what our focus is and
5 where we're headed.

6 MR. HESTER: Well, I would just second what Tom has
7 said. There's certainly no question the growers are doing
8 whatever they can to be become more efficient and be able to
9 produce from a much lower cost standpoint. But
10 unfortunately, as long as there are tariffs or some kind of
11 duties, whether public or hidden, are in place, it's
12 difficult for California to play the same game.

13 Another issue that I didn't mention that gives us
14 trouble is the USAID program, which has gone offshore and
15 spent a lot of money developing industries, particularly in
16 Morocco, where they spent millions to develop the
17 infrastructure and put together, you know, a game plan that
18 mainlined those olives into the United States, you know,
19 thanks to our tax dollars.

20 USDA DEPUTY SECRETARY ROMINGER: Jim, I'd like to
21 add that you're not the only one that Ron Schuler beats on.

22 We're here because we needed to hear the messages of
23 specialty crops. That's something that, as Jim said, we need
24 to make sure it gets more attention in this round than
25 perhaps it did in the Uruguay Round. At least the outcomes

1 in the Uruguay Round were not what we had hoped for. So
2 we've got our work cut out for us there. We continue to work
3 to try and improve situations with NAFTA as well.

4 But the way we do that is through another round of
5 trade negotiations, so we need to keep working on it. But we
6 want to keep in close touch with you, as my compadres have
7 said here. As we go through the negotiations, we need that
8 kind of detailed information on domestic subsidies that are
9 being paid in the EU, as well as the tariffs that we're up
10 against. So make sure that you keep feeding us that
11 information.

12 Thanks.

13 ACTING CO-MODERATOR VILLARREAL: Thank you very much
14 members of the panel.

15 I'd like to have members of Panel 3 please step up.
16 I believe we're ready. And I'd like to introduce Mr. Randall
17 Lange with the California Association of Winegrape Growers.

18 MR. LANGE: As he said, my name is Randall Lange,
19 and I'm a third generation winegrape grower in the Lodi
20 Woodbridge district just south of here. I'm currently
21 Chairman of the California Association of Winegrape Growers.
22 And CAWG represents the growers of more than 50 percent of
23 the annual tonnage of grapes crushed for wine and for
24 concentrate.

25 I want to thank you for the opportunity for these

1 listening sessions. Developing export markets for the
2 California wine is critical to the long-term health of our
3 industry, and I'm happy to have these three minutes to make a
4 couple of key points on behalf of winegrape growers and the
5 fourth generation of winegrape growers that I currently have
6 in college.

7 For the last few years, CAWG has worked closely with
8 the Wine Institute and the American Vintners Association to
9 develop a unified position on international trade for wine.
10 Wine is the ultimate value-added product. As our plantings
11 of wine grapes increases, the opportunity to expand the
12 market for wine is critical.

13 We are concerned about tariff and non-tariff
14 barriers that hinder our ability to trade openly in foreign
15 markets and that curb the demand for our products. In past
16 negotiations, wine has suffered for the benefit of other
17 industries. We ask that this round the discussion of tariff
18 is specific to wine for wine.

19 We request that the U.S. make wine tariffs a
20 priority and that the U.S. seek reductions in wine tariffs to
21 a level equivalent to the United States' 6.3 cents per liter.

22 Second, we face trade distorting subsidies that put
23 growers at immediate competitive disadvantage. The EU
24 program to subsidize its wine industry provides an unfair
25 market advantage for its producers. Despite the fact that

1 the EU wine production is stronger than ever, the Commission
2 has increased the 1998 budget for the wine sector to over
3 \$1.3 billion. This is unnecessary for an industry that
4 already controls well over 65 percent of the export market.

5 These subsidies invite continued production despite
6 diminishing demand, increased capital resources to European
7 wineries through subsidies to elude the market and they need
8 to end.

9 Finally, the integrity of wine labels is another
10 problem for winegrape growers in California. Not all
11 countries have a regulatory system in place to monitor
12 compliance in the wine-making industry to prevent mislabeling
13 and consumer fraud. Labels on imported wine may not always
14 accurately reflect the contents with regard to variety or
15 origin. The potential for abuse in mislabeling becomes more
16 probable as countries develop a wine industry for the world
17 market and recognize the demand for certain varietal wine
18 products.

19 Trade agreements should include detailed provisions
20 to prevent this type of fraud and unfair competitive
21 advantage. U.S. wine exports account for five percent of the
22 world total and we are growing. But unfair policies make it
23 difficult for U.S. wines to compete with European exports
24 both in the United States and in third country markets. We
25 request that the reduction of wine barriers be made a

1 priority for this round of multilateral negotiations.

2 Only by reducing these barriers to trade can we
3 guarantee fair and equitable market access for our products.

4 Thank you.

5 ACTING MODERATOR VILLARREAL: Thank you, Mr. Lange.
6 And Ms. Kathleen Nave, the California Table Grape Commission.

7 MS. NAVE: Thank you. Can you hear me?

8 Good morning. My name is Kathleen Nave and I'm the
9 president of the California Table Grape Commission. On
10 behalf of the California Table Grape Commission and the
11 industry, let me begin by thanking you for taking the time to
12 be here today and to listen to our concerns. We're pleased
13 to have the opportunity to share a few of the priorities of
14 the table grape industry with you.

15 As you know, the table grape industry is represented
16 by the California Table Grape Commission, which is a mandated
17 organization, created by an Act of the State Legislature in
18 1968. The Legislature created the Commission out of a belief
19 that the economic interests of the State of California and of
20 its citizens are well served by a strong table grape
21 industry. Ninety-seven percent of the fresh grapes grown in
22 the United States are grown here in the heart of California.

23 The Commission's charge is to increase worldwide
24 consumption of California table grapes worldwide. Since
25 1968, the industry has grown from one that produced about 20

1 million boxes of grapes on an annual basis to one that
2 produces between 80 and 90 million boxes. As you know,
3 table grapes are a high-value crop generating nearly a
4 billion dollars in farm-gate revenue in 1997. And on average
5 exports account for over 20 percent of the volume and 20
6 percent of the value.

7 This is a growing industry. We have new acres
8 planted every year, new vineyards continuing to grow into
9 production and exports are a critical part of the future of
10 this industry.

11 We have three issues that we would ask that would be
12 included in the U.S. negotiating priorities for the upcoming
13 Seattle Round. They are maintaining the integrity of the
14 sanitary and phytosanitary agreement, reducing excessive
15 tariff levels and opening protective markets.

16 Our first concern deals with maintaining the
17 integrity of the SPS agreement. As you all know, many of the
18 barriers inhibiting the export of California table grapes are
19 based on quarantine regulations. Obviously, we work hard to
20 eliminate those barriers to help countries change
21 regulations that are built on unscientific foundations.
22 Nonetheless, we would encourage you to proceed with caution
23 when considering reopening the sanitary and phytosanitary
24 agreement.

25 From our perspective, opening that agreement for

1 refinement presents more potential hazard than it presents
2 potential benefit. It's critically important to the
3 continued development of the world marketplace that decisions
4 revolving around sanitary and phytosanitary rules are based
5 on science. It's the only way member countries have a hope
6 of evaluating the soundness of a regulation with any degree
7 of objectivity.

8 We know that there have been some discussions of
9 including other criteria in the SPS agreement. And whether
10 you call them electoral sensitivities, consumer preferences
11 or the precautionary principle, the result will be the same.
12 Obviously, including such scientific non-objective criteria
13 in the agreement would give members the flexibility to base
14 their import requirements on something other than science.
15 And that would be a giant step backwards. As from our
16 perspective, it would eliminate a safety net that a strong,
17 objective, science-based SPS agreement provides when and if
18 technical discussions fail.

19 A good example of a strong -- of the importance of
20 this agreement is the situation we're involved in currently
21 with Taiwan, which I understand you'll hear more about
22 later.

23 I see I'm out of time. We also would ask that you
24 address tariff rates, especially in emerging markets. And
25 actually, we believe that the Seattle round should end with

1 member countries agreeing to negotiate from their lowest
2 existing rates, whether that rate is a bound rate or an
3 applied rate.

4 Thank you.

5 ACTING CO-MODERATOR VILLARREAL: Thank you, Ms.
6 Nave.

7 And Mr. Pete Penner from the California Raisin
8 Marketing Board.

9 MR. PENNER: Good morning. I'm Pete Penner, raisin
10 grower in California. I'm Chairman of the California
11 Marketing Board. I'm here on behalf of the Raisin Marketing
12 Board to comment on specific interests and concerns of over
13 5,000 raisin growers and the processors as they relate to us
14 in the upcoming World Trade Organization negotiations in
15 agriculture.

16 The California Raisin Marketing Board represents
17 producers of raisins in California. California accounts for
18 virtually all commercially grown product in the United
19 States, about 45 percent of the world production. Our
20 raisins have a farm gate income of about \$500 million.

21 Forty percent of our annual production is exported.
22 We export raisin paste and raisin juice concentrate. But our
23 primary export product is raisins. Our industry's principal
24 interest in the upcoming negotiations is that they result in
25 improved and expanded access for U.S. raisin exports. With

1 world production of raisins increasing, this is an important
2 issue for our industry and one reason why we have a specific
3 interest in seeing China accede to the WTO.

4 Despite the Uruguay Round reductions and
5 commitments, U.S. raisins still face high tariffs in many
6 markets, competition from subsidized foreign producers, and
7 sanitary and phytosanitary restrictions, which have
8 questionable scientific bases. We are looking to the
9 upcoming negotiations to improve upon the shortcomings of the
10 Uruguay Round agreement and produce a more favorable,
11 competitive environment for the U.S. raisin in both our
12 domestic and export markets.

13 The Board has submitted written testimony that
14 describes in detail the specific improvements we are seeking
15 in the areas of tariff reduction, domestic subsidy
16 commitments and sanitary and phytosanitary restrictions. I
17 will briefly describe these for the panel.

18 As to tariffs, we want reduced tariffs on raisins
19 and raisin products in all world markets. U.S. Tariffs on
20 imported raisins are low, below five percent on an ad valorem
21 basis. In contrast, tariffs in most of the outside countries
22 are significantly higher. For example, in India it's 120
23 percent. In Korea, it's 28 percent. In Thailand it's 30
24 percent. In China, it's 40 percent. This tariff is unbound
25 and therefore unpredictable. If China accedes to the WTO, it

1 has committed to reduce its tariff on raisins to ten percent
2 by the year 2004.

3 In the area of domestic subsidies, we are seeking
4 sector specific reduction commitments that would require the
5 EU and other producer countries to make reductions in the
6 amount of aid benefitting the raisin sector. This requires
7 that the Uruguay Round formula of reducing subsidies based on
8 an Aggregate Measure of Support for a group of commodities be
9 abandoned and new reduction commitments reached on sector
10 specific subsidies.

11 The third area where we seek improvement is the
12 Uruguay Round agreement on sanitary and phytosanitary
13 measures. We appreciate that the Uruguay Round Agreement was
14 groundbreaking in that it included new, scientific based
15 rules for sanitary and phytosanitary restrictions. Many
16 countries, however, have been slow in implementing these
17 commitments to science-based restrictions and have neither
18 undertaken the necessary research to justify the science
19 behind their restrictions nor suspended them.

20 Japan and Korea are among other countries that are
21 continuing to impose onerous tolerance levels on sulfur
22 dioxide, benzoic acid and other additives and preservatives
23 found in raisins. And the European economic community has
24 other issues that face us that you can read about in our
25 final draft.

1 Finally, China is of great interest. We know that
2 through our market research in that country and the Chinese
3 have demonstrated a preference for California raisins. And
4 we view China as a major market for us. And so we're very
5 concerned about this.

6 So we are, as an industry, are just encouraging you
7 to do everything you possibly can to help us to be able to
8 compete in a world market that's fair to all.

9 Thank you.

10 ACTING CO-MODERATOR VILLARREAL: Thank you, Mr.
11 Penner.

12 Mr. Joe Rollo from the Wine Institute.

13 MR. ROLLO: Thank you. I'm Joe Rollo, Director of
14 the International Department at the Wine Institute.

15 Thank you for this opportunity to comment on our
16 objectives for the next round of multilateral talks on
17 agriculture. I'll just simply summarize a few of our
18 objectives. We've filed more detailed statements as
19 requested.

20 Exports have become an important part of our
21 industry. They represent now about 12 and a half percent of
22 our production, and over the last ten years have grown over
23 500 percent. But we're still a relatively small player in
24 the world's wine market. We produce about six, seven percent
25 of the world's wine. And our major competition, of course,

1 is EU.

2 But I do believe that we're about to launch into the
3 second phase of our development of export markets, and that
4 phase is really going to require the reduction of trade
5 barriers and tariffs.

6 There are three areas that we seek improvement. One
7 is tariffs and you've heard about that. We have the lowest
8 wine tariffs of any producing country in the world. And our
9 major market and our major competitors in Europe have tariffs
10 of three times ours. And in Asia wine tariffs are very high
11 and they serve to restrict the development of consumer demand
12 for wine.

13 Secondly, production and export subsidies. We have
14 no subsidies for our industry in the market. But the EU
15 subsidies are the highest in the world for wine. And they
16 encompass every type of both production and export
17 subsidies.

18 The third area is marketing and distribution
19 restriction. There's relatively none in the United States,
20 but we face import monopolies, certification procedures and
21 the inability to invest in certain markets in distribution,
22 and we seek removal of these practices.

23 About ten years ago, we had a 36 to 1 imbalance in
24 trade, 36 times more wine, the amount of wine was imported
25 than we exported. Because we have developed export markets,

1 the current ratio is about three and a half to one, with
2 about a billion, nine hundred million dollars worth of wine
3 shipped into the United States in 1998, compared to a little
4 over a half billion dollars in sales. And we think with the
5 removal of the these barriers that we face, in five years we
6 can even that imbalance, and that is our goal.

7 I'd also like to take this opportunity to
8 particularly thank Jim Murphy and Secretary Rominger for your
9 help and support and counsel for our industry. We've done a
10 lot so far. We can, hopefully, take full advantage of the
11 next round.

12 Thank you.

13 ACTING CO-MODERATOR VILLARREAL: Thank you, Mr.
14 Rollo. Any questions for the panelists?

15 ASSISTANT U.S. TRADE REPRESENTATIVE MURPHY: A
16 question here. I don't think I heard from any of the
17 panelists any comments about biotechnology. And we'd be
18 interested to know if any of you see or when you may see
19 bioengineering coming to grape production or even wine
20 production? Obviously, biotechnology is a problem and issue.
21 And we're aware of it in certain sectors and just want to
22 make sure that you're staying on top of where it is and where
23 it's moving. And so if you can give us any indication of the
24 coming of bioengineering into the industry, that can be
25 useful.

1 MR. LANGE: Yes, I see the coming when we have a lot
2 of good benefits from biotechnology. But the bottom line for
3 us here today and for the next few years is just quite simply
4 the tariff issue that faces us.

5 I'm the beginning of the chain. I grow the wine
6 grapes. Joe's on the other end of the chain, he produces the
7 wine. If he doesn't sell the wine, I don't sell my wine
8 grapes. We feel if we can get a reduction in these tariffs
9 and these trade barriers that prevent us from going into
10 other markets, we can get an even playing field, we can
11 compete on a quality basis and we will increase our exports.
12 But I do see that coming, yes.

13 AMBASSADOR BAAS: Mr. Lange, if I could just ask a
14 question on the labeling issue. I understand the problem
15 labeling on our exports, where countries don't accept what we
16 say on our labels and there are all sorts of problems there.
17 But what was the problem you were, I think, referring to, in
18 terms of imports into the United States, labeling. Are
19 people putting on their labeling -- on the label as Cabernet
20 when it's not or is it --

21 MR. LANGE: Emerging countries who are developing
22 wine producing industry, just a new one, they will take a
23 look at the market and they'll see the hottest variety or the
24 hottest wine that's there. And the potential is there to say
25 if they don't have, let's say Merlot, which has been a real

1 hot item, if they don't have Merlot, they have something that
2 looks very much like Merlot, it goes into the bottle and it's
3 called Merlot.

4 And so all we're asking for is provisions to be made
5 so that when we have a product come into the United States
6 and the label says that it is Merlot, that, indeed, it is
7 Merlot and it's coming from the origin or from the area that
8 they're calling for.

9 So that's our only concern. We're not concerned
10 about them bringing it in. We just want to make sure that
11 it's what they're telling us it is.

12 AMBASSADOR BAAS: Aren't there already procedures
13 with the U.S. Customs Service, where one can say that an
14 import coming in, which is advertised as Merlot is not, in
15 fact, Merlot, it's a Blanc.

16 MR. LANGE: I'm not an expert, but what I can tell
17 you on the layman's side of the coin is many times it's very
18 difficult to prove that Merlot is the one that's in the
19 bottle, scientifically, once it's here. And then many times
20 it means that the Customs or the State Department has to go
21 to a country and say wait a minute, you don't have Merlot
22 there, how can you call this Merlot, and that doesn't work
23 very well.

24 AMBASSADOR BAAS: It takes time, that's for sure.

25 If I could just say one more thing on the SPS

1 agreement. Ms. Nave, I think we certainly agree with you of
2 the importance of keeping it science-based. And we've been
3 doing a lot in that effort right now. In fact, there's a
4 Commission on the SPS going on in Rome, speaking of wine.
5 And we've been putting a lot of effort into trying to keep
6 that scientifically based. It's not easy, I must say.

7 You won't be surprised to hear that the European
8 Union particularly is making great efforts to undermine that,
9 having lost some considerations recently like beef hormones
10 and so on. And we are working hard on that and we do
11 appreciate that. And it's good to hear.

12 MS. NAVE: Well, and we appreciate the fact that
13 you're working hard on it, because it matters a lot.

14 USDA DEPUTY SECRETARY ROMINGER: We understand your
15 concerns about the tariffs that you're up against in
16 exporting product, but we also want to compliment the
17 industry on the increased exports that we have taking place
18 that goes -- we're counting here. I think that's been
19 remarkable the way we've been able to increase the exports of
20 California wine, and you folks from other states as well, but
21 mostly California.

22 There evidently must be a few optimists still
23 around, because we're sure planting a lot of grapes these
24 days. But we're going to keep working to get those barriers
25 down around the world, because we do have a product that a

1 lot of people appreciate if we could get it there.

2 MR. LANGE: Thank you.

3 ACTING CO-MODERATOR VILLARREAL: Any further
4 questions or comments for the panelists?

5 Okay, thank very much. As you can probably tell,
6 we're about a half hour ahead of schedule. We would like to
7 go ahead and call Panel number 4 at this time and move right
8 along into that section.

9 Sit in speaker order, that would be great.

10 Great. Thank you very much. Moving right along, we
11 have Mr. Ben Goodwin with the California Beet Growers. Thank
12 you very much for coming.

13 MR. GOODWIN: Good morning. My name is Ben Goodwin.
14 I'm the Executive Manager of the California Beet Growers
15 Association.

16 Today I'm here representing over 500 farm families
17 who raise about 110,000 acres of sugarbeets in California and
18 southern Oregon in the Klamath basin. Our sugarbeets are
19 processed by the Spreckels Sugar Company who operates four
20 factories in the State at Brawley, Mendota, Tracy, which is
21 just south of here and then Woodland which is just to the
22 west.

23 Our industry has gone through a painful
24 consolidation. We've closed four sugar factories in the past
25 nine years, and today we are a very competitive industry.

1 We're a critically important supplier of sugar to a very
2 sophisticated food manufacturing system. We produce over 45
3 different sugars and syrups to meet the special needs of
4 individual and industrial customers at prices that are 32
5 percent below the average price of sugar in other developed
6 countries. So we're proud of the fact that we are very, very
7 competitive.

8 Let me be very clear about one thing, without
9 adequate price safety nets for our farmers and a good and
10 fair trade policy that responds to foreign predatory trade
11 practices, our industry and the essential supplier of our
12 sugar we provide for all consumers in this region and across
13 the country are clearly threatened. A healthy American
14 sweetener industry means a healthy food manufacturing system.
15 It's that simple.

16 As I said earlier, our growers are the most
17 efficient producers of beet sugar in the world and lower
18 costs than most of the cane sugar produced in the world. Our
19 growers in the Imperial Valley have produced record crops for
20 the last eight years and we are some of the highest producing
21 -- we are the highest producing records in the world.

22 We've long been supporters of trade agreements that
23 we believe would level the playing field and provide for fair
24 trade. However, the failure of past agreements to address
25 core problems and achieve a more level field has left our

1 growers frustrated and skeptical about future agreements.

2 Almost 75 percent of all sugar produced in the world
3 is produce in 95 developing countries that are either not
4 members of the WTO, such as Russia and China, and have no
5 obligation, or they are members that have received special
6 and differential treatment that provide for substantially
7 reduced commitments or exemptions and a four-year longer
8 transition period.

9 We also understand that many of the developing
10 countries are not yet in compliance with their commitments.
11 In our developed country competitors, the EU and Australia
12 are the strongest. The EU has internal price supports 30
13 percent higher than in the U.S. and uses massive export
14 subsidies, currently at about 25 cents a pound.

15 Europe's heavily subsidized export of sugar from the
16 ACP region are not even registered with the WTO as an export
17 subsidy. Australia maintains a marketing monopoly and
18 receives subsidies for their industry's infrastructure. The
19 failure of the Uruguay Round to address these problems or
20 enforce the rules has contributed to the current collapse of
21 world sugar prices.

22 Rather than level the playing field, the Uruguay
23 Round has simply locked in the distortions and lowered the
24 playing field.

25 CO-MODERATOR LYONS: Ben, just time for one last

1 comment.

2 MR. GOODWIN: Oh, I'm sorry. I didn't see the
3 clock. Let me just mention our recommendations. Market
4 access: other countries must reduce tariffs to the U.S.
5 levels and provide comparable access to their sugar markets
6 before our access commitment is increased and tariffs are
7 reduced.

8 Export subsidies. The most important issues to
9 address are the elimination of direct and indirect export
10 subsidies and state trading monopolies.

11 I think the rest of it is in the statement and I
12 appreciate the opportunity to appear before you.

13 CO-MODERATOR LYONS: Thank you, Ben, and we're going
14 to move along to Michael.

15 MR. RUE: Good afternoon. My name is Michael Rue.
16 I certainly appreciate you all spending the time to listen to
17 our concerns today. I'm a rice producer from Marysville,
18 California, a Director of Farmers Rice Cooperative, the
19 largest marketing organization in the State for rice, and
20 Chairman of the USA Rice Federation's International Trade
21 Policy Committee.

22 Improving trade and trade policy is critical to U.S.
23 Agriculture and especially to the rice industry. Over 40
24 percent of U.S. rice is exported. California exports 45
25 percent of its production each year. NAFTA, for example, has

1 allowed the southern U.S. rice industry to expand sales of
2 rice into Mexico, which now is the leading export market for
3 U.S. rice. The GATT has given California growers minimum
4 access to Japan, which is now this state's leading rice
5 export market. Without the current trade policies, neither
6 of these markets would be certainly as attractive.

7 The rice industry supports the complete removal of
8 agricultural trade sanctions. Experience over time has shown
9 that these sanctions, unless universally supported by our
10 trading partners, to be an ineffective tool of foreign
11 policy. Whatever the benefits of sanctions, when not
12 universally supported, are far outweighed by the
13 disproportionate cost to those industries and countries that
14 are directly impacted.

15 Cuba, Iran, and Iraq were all, at the time sanctions
16 were imposed, the leading commercial customers for the U.S.
17 rice industry. And, indeed, each of these countries will be
18 attractive markets if and when sanctions are lifted.

19 We support the elimination of State trading
20 enterprises or certainly the adoption of disciplines that
21 would ensure operational transparency, the end of
22 discriminatory pricing practices by them and the development
23 of a scheme that would have competition for these
24 enterprises. They are market distorting and make our
25 products non-competitive and restrict the free flow of goods

1 to the consumers that we wish to serve.

2 We support the elimination of export subsidies and
3 the tightening of rules governing these subsidies. We, as
4 other segments of agriculture today, need a level playing
5 field. We support the acceleration of the reduction of
6 tariffs with the ultimate objective of eliminating all
7 preferential tariffs.

8 In Mexico for example, Uruguayan suppliers enjoy
9 duty-free access to the Mexican rice market because of
10 bilateral trade agreements, while U.S. suppliers are at a
11 disadvantage, because we're subject to tariffs even in spite
12 of NAFTA.

13 All phytosanitary requirements should be science
14 based and reasonable. You've heard that many times today.
15 Maintaining sound science and risk assessment, as the
16 foundation of sanitary and phytosanitary measures is
17 extremely important.

18 Genetically modified organisms should be subject to
19 those same concerns. If we keep the -- we've had several
20 questions on the GMO products. If we keep the regulations
21 science based and commercially reasonable, we'll let the
22 consumer determine that which they want to consume. And it's
23 important that we keep the regulations and restrictions based
24 on science and good sense and we'll let the consumers decide
25 what they want. If they decide they want to consume those

1 products, that's fine. But let's not withdraw that choice
2 before they have the opportunity to see it on their plate.

3 Finally, in the instance where a market is only
4 partially opened, we believe that whatever minimum
5 requirement is established by a trade agreement, that
6 commodity must be purchased from a member of the WTO, not
7 from a non-member country that is not a signatory, in order
8 to meet that requirement.

9 Some countries have purchased outside the WTO
10 communities such as Japan buying Chinese rice, thus negating
11 any benefits to the participating WTO members.

12 Thank you very much.

13 CO-MODERATOR LYONS: Thank you, Michael. We're
14 going to move on to Meredith.

15 MS. STEPHENS: Good morning. My name is Meredith
16 Stephens. I'm president of the California Association of
17 Wheat Growers. My husband and I are fifth generation farmers
18 in northern California where we grow wheat and grow crops.

19 We as growers have used all means available to grow
20 high quality wheat to serve a growing world demand.
21 Unfortunately, while our major competitors in Australia and
22 Canada and the European Union have sold their 1998 wheat
23 crops, we in the U.S. are holding a very full bag of unsold
24 wheat.

25 Is our wheat inferior? Are we not doing enough to

1 promote sales? No. The basic fact is that our trade policy
2 lacks the teeth to maintain a competitive position in the
3 world market. It's time for the U.S. to get tough on trade
4 policy. We must end our strategy of unilateral disarmament
5 in trade negotiations.

6 The California wheat industry's top priorities for
7 trade talks are State trading enterprises, export subsidies,
8 phytosanitary measures and biotechnology. I will talk about
9 the first two and my colleague Craig will talk about the
10 second two.

11 State trading enterprises. The last trade round
12 failed to discipline state trading exporters. Grossly unfair
13 competition in wheat has resulted. The Canadian Wheat Board
14 has monopoly power to handle about 20 percent of the world's
15 supply of grain and barley. Yet it operates without
16 commercial risk.

17 Why is it that the U.S. government will challenge
18 Microsoft's market power, but can't keep the Canadian Wheat
19 Board from running our wheat growers out of business. The
20 bottom line on state trading exporters is that they must be
21 subject to the same disciplines as other traders. This will
22 require better price transparency and complete reporting to
23 the WTO.

24 Export subsidies. We urge all direct export
25 subsidies be eliminated immediately. Our government has not

1 used export subsidies on wheat since 1995, while the European
2 and monopoly wheat boards have freely done so. To establish
3 leverage, the U.S. Administration must fully fund and use all
4 of our export tools. This includes the export enhancement
5 program, GSM 102 and 103 credit guarantees and most
6 importantly food donations.

7 U.S. negotiators will face strong pressure from
8 foreign nations to classify U.S. export credit programs as
9 subsidies. They should adamantly resist pressure to
10 eliminate or reduce these programs. Our export credit
11 programs are not unique and are commonly used in other forms
12 of our trade rivals.

13 Finally, as you negotiate our trade future, we ask
14 that you know exactly what our competitors have, how they use
15 it and where our leverage lies.

16 Thank you very much for listening.

17 CO-MODERATOR LYONS: Thank you.

18 Craig.

19 MR. PEDERSON: Thank you. My name is Craig
20 Pederson, and I'm a third generation farmer, also currently
21 Chairman of the California Wheat Commission, which is
22 responsible for research and promotion of California wheat.

23 I will cover phytosanitary and biotechnology and
24 then I will say a bit more about U.S. strategy and trade
25 negotiations.

1 First of all, phytosanitary measures. The Uruguay
2 Round produced a very encouraging agreement on sanitary and
3 phytosanitary issues. It uses sound science as the basis for
4 settling and enforcing plant health restrictions. We should
5 build on this success in the next round and we should improve
6 the process for settling disputes with strict time lines.

7 Our main SPS problem right now is with Mexico. We
8 cannot shift wheat from anywhere in California to Mexico
9 ostensibly due to Karnal bunt. USDA quarantine applies to
10 less than one percent of our state's wheat acreage yet Mexico
11 imposes a ban on the entire state. This is a perfect example
12 of the U.S. engaging in unilateral disarmament.

13 About a year and a half ago Mexico convinced the
14 U.S. to recognize a Karnal bunt free zone, and allow wheat
15 imports from that area. We agree. As long as the zone was
16 based on sound science and is carefully monitored, Mexico
17 should be allowed to ship wheat to the U.S. But we asked our
18 trade officials for assurances that Mexico would also
19 recognize our quarantine boundaries and begin allowing
20 California wheat from outside the Karnal bunt area into
21 Mexico. After all, we're using sound science.

22 USDA told us that the U.S. would lead by example and
23 Mexico would follow. So now we are importing wheat from
24 Mexico's pest free zones, but we are still barred from the
25 Mexican market despite a healthy demand for our product.

1 What happened to our leverage? We gave it away without a
2 word?

3 We'd like to see the Mexico situation resolved
4 before the WTO round, but we raise it as an illustration of
5 unfair health restrictions that persist despite current
6 rules.

7 We are pleased with the recent agreement with China
8 that overcomes years of TCK related problems. We must cement
9 the agreement with two steps, establishing normal trade
10 relations with China and completing China's entry into the
11 WTO.

12 Next biotechnology. Secretary Rominger, who's here
13 today, told us this month that he thinks worldwide the issue
14 of the GMOs will be a bigger issue than bananas and beef
15 hormones. We think he's right.

16 Our negotiations should ensure that sound science
17 prevails, but it won't be easy, because consumer fears are
18 involved. We hope that the end-use characteristics of food,
19 not the method used to produce it, will be the basis for
20 gaging food safety. If a product is deemed safe for human
21 and animal consumption, it should not face trade
22 restrictions. The marketplace, not the WTO, should determine
23 whether labeling and other special handling is appropriate.

24 Just a word of caution on biotech issues. We must
25 not let our European counterparts use their unfair trade

1 barrier GMOs as leverage against the United States. The
2 discussion must stay focused on science.

3 I see I'm running short on time. I'll finish with
4 my conclusions here now.

5 The U.S. administration has a lot of homework to do.
6 We must know exactly what program other nations use, be they
7 export credit programs, state trading enterprises, pricing
8 schemes, quality give-aways, tax incentives, export
9 restitutions or other methods. And we must know exactly how
10 those programs affect world consumption. And then the United
11 States must identify what can be gained and lost in each
12 area.

13 Thank you.

14 CO-MODERATOR LYONS: Thank you. Before we open it
15 up to the Committee, I'd like to maybe inform Panel number 5
16 that we will be on at 1:00 o'clock and not 1:30. And that
17 will be Steve Easter, Ken Kaplan, David Miller, and Greg
18 Thompson. So if my staff can maybe make sure that that panel
19 knows it will be on a half hour early.

20 Committee questions of the panelists?

21 Sheldon, did you have a comment?

22 CO-MODERATOR JONES: Yeah, Mr. Secretary, I wanted
23 to talk to Mr. Pederson just for a moment. We, too, have the
24 Karnal bunt problem that you mentioned. I just wanted to
25 report to you through yesterday's testing, all of California,

1 Arizona and Texas has been tested, there's been no findings
2 of Karnal bunt in any of those three states.

3 What that does for us in California, with the
4 exception of a small area in Blythe, under the most recent
5 promulgation of the rules, the Imperial Valley and other
6 wheat growing areas will be completely out from under the
7 Karnal bunt wing or that mask of USDA Regulation. The bulk
8 of Arizona's wheat growing area, as well, will be out from
9 under regulations.

10 New Mexico is completely out, and I believe with the
11 exception of San Saba County in Texas, where they found bunt
12 two years ago now, there's a small, about as big as this
13 room, I think, county in Texas that's regulated. But this
14 crop here, there was no evidence of bunt or Karnal bunt in
15 any of the three regulated areas.

16 So perhaps we've escaped some of that. There still
17 is an issue with the Mexicali Valley free farm zone, but
18 they're not recognizing Arizona, California zones as free
19 farm. And certainly we need to work on that.

20 CO-MODERATOR LYONS: Thanks, Sheldon, for your
21 comments. Well, then what I would propose to do, if there
22 are no other questions -- Jim, excuse me.

23 ASSISTANT U.S. TRADE REPRESENTATIVE MURPHY: I just
24 wanted to put one question to the panel. Not probably for
25 answering now, but perhaps for later. On state trading, I

1 know several of you mentioned to eliminate or discipline, it
2 would be very useful if you could give us further your
3 thoughts on what the disciplines should be, assuming that
4 we're not successful in just eliminating them, which would
5 certainly be a nice achievement if we could do it.

6 But assuming that we're on an option of disciplining
7 here, it would be useful to have your suggestions as to what
8 those disciplines should be composed of, what would you like
9 to see in the way of disciplines? Transparency, of course,
10 is one that we often hear, but are there additional -- well,
11 even on transparency, to what degree, to what extent, what is
12 it that we should assure that is transparent? And beyond
13 transparency should there be additional disciplines on the
14 activities of the STE's?

15 It would also be useful if you have any specific
16 information on, shall we say, inappropriate behavior of
17 STE's? You can imagine we're often in discussions with our
18 Canadian and Australian friends on this issue, and indeed the
19 Chairman of the Australian Wheat Board seems to make
20 Washington a regular stop on his travel itinerary. I think
21 we see him more than we see anyone else.

22 And we have some fairly spirited debates with Mr.
23 Flugge. And he, of course, denies the various anecdotes,
24 which we throw at him. And it would be useful if there's
25 information of specific accounts of inappropriate behavior

1 which we could throw at these good folks as we enter into
2 these negotiations.

3 Thank you.

4 MR. PEDERSON: If I could respond just briefly. We,
5 and I say we, the California Association of Wheat Growers put
6 together a study and looked very closely at many of the
7 issues and tried to, for ourselves, catalogue where all these
8 areas are of concern. And we do have that and I believe that
9 we can make that available to you.

10 You know, I drove up here today from about three
11 hours south of here, and I got a bit tired of seeing Canadian
12 grain cars at every stop. To the extent that, and I have no
13 paper proof of this, but we've heard that there's barley
14 coming into this state at \$38 a ton. Now, that's not with
15 the rail subsidy added to it, you know, so I'm not exactly
16 sure what the final figures are for that, but we can't
17 produce, you know, \$38 dollar a ton of wheat here or barley.
18 You know, it's impossible.

19 CO-MODERATOR LYONS: Craig, can you make that report
20 available to the Committee?

21 MR. PEDERSON: As far as the other issues that we
22 talked about, yeah. And I don't have the pricing, but word
23 of mouth people are not really willing to step forward when
24 they're purchasing barley at that price. It's a great deal
25 and it's difficult to get that information. But on the other

1 issues pertaining to the state trading enterprises, we will
2 get that to you.

3 CO-MODERATOR LYONS: Any other questions?

4 USDA DEPUTY SECRETARY ROMINGER: Michael, which
5 countries are the ones that are of most concern on the STE's
6 for rice?

7 MR. RUE: Quite frankly, we're faced by a little bit
8 of a different situation with the STEs. It is more regarding
9 to the importing side, in that in the case of Japan, where
10 they had a food agency, that it's sometimes dealing like with
11 a black box, you're not too sure exactly what criteria are
12 creating the results.

13 Naturally, we do face State trading on the export
14 side with the Australians. Quite frankly, they don't seem to
15 be as onerous as the wheat side. It is an advantage to them
16 to be able to see all their marketing plans at one time, as
17 opposed to here in California and in the balance of the U.S.
18 where we're very competitive with each other.

19 But our biggest problem in the rice industry is on
20 the purchasing side, quite frankly.

21 USDA DEPUTY SECRETARY ROMINGER: Yeah, that's what I
22 thought. As far as Karnal bunt with Mexico, and that was an
23 issue that we discussed at the binational meetings in Mexico
24 City earlier this month, and we are continuing to press
25 Mexico. We said we'll recognize your areas, but you have to

1 recognize ours as well. And so we're going to keep pushing
2 them to make sure that they follow through on that.

3 CO-MODERATOR LYONS: Okay.

4 Any other questions by the panel?

5 Okay. Well, thank you very much. We reconvene the
6 listening session at 1:00 o'clock. I would encourage Panel
7 number 5 to be prepared to begin at 1:00 o'clock.

8 Thank you.

9 (Thereupon the lunch recess was taken.)

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1 AFTERNOON SESSION

2 CO-MODERATOR JONES: If everyone will take their
3 seats, we'll kick off the afternoon. We even have a gavel
4 Secretary Lyons handed me. I'm not sure what he wants me to
5 do with that.

6 Good afternoon, I think we'll just take a moment to
7 reintroduce the panel this afternoon that will be hearing
8 your comments. First off, Deputy Secretary Rich Rominger
9 from California is here this afternoon, Secretary Lyons from
10 the California Food and Drug -- Food and Drug, California
11 Food and Ag Department.

12 (Laughter.)

13 CO-MODERATOR JONES: We're getting there, to my
14 immediate right. We have Jim Murphy, Assistant U.S. Trade
15 Rep next to Deputy Secretary Rominger. Mark Baas with the
16 Director for the Office of Ag and Textile Trade Policy, U.S.
17 Department of State and Patricia Garamendi, Assistant Deputy
18 Administrator for Farm Programs with USDA.

19 And, at this time, I believe Deputy Secretary
20 Rominger has a few comments.

21 USDA DEPUTY SECRETARY ROMINGER: Thank you. I
22 wanted to make a couple of additional introductions here this
23 afternoon before we get started. You all know that when
24 Governor Davis was elected there, he decimated our State Farm
25 Service Agency Committee by taking Bill Lyons our State

1 Committee Chairman and Vanessa Arellano, who is a member of
2 our State Committee to be the leaders here in the California
3 Department of Food and Agriculture.

4 We're finally getting around today to announcing
5 their replacements on our State Farm Service Agency
6 Committee. And we have those two gentlemen here today that I
7 want to introduce. Allan Garcia from Glenn County. Allan is
8 a rice grower in the northern part of the State and has been
9 involved with the Resource Conservation District up there.
10 He's done a lot of work in conservation wildlife habitat,
11 sustainable agriculture and has advised us at USDA, from time
12 to time, on some of the issues in California. So we welcome
13 Allan to our State committee.

14 The other gentleman is Sam Sherman from just south
15 of here down in San Joaquin County, is that where you are
16 Sam?

17 MR. SHERMAN: Madera County.

18 USDA DEPUTY SECRETARY ROMINGER: A little farther
19 south. Sam has been the Chairman of our County FSA Committee
20 there in Madera County and has a vegetable farming operation
21 and has also been a customer service representative for an
22 agriculture supply company helping advise farmers on the use
23 of agri chemicals and other products.

24 So we welcome both of you gentlemen to our State
25 Committee. And I know Val Dolcini there, our State Director,

1 is anxious to have his committee up to full strength again.

2 So welcome aboard.

3 (Applause.)

4 CO-MODERATOR JONES: Thank you, Deputy Secretary.

5 Just a couple of other things. My name is Sheldon Jones and

6 I'm the Director of Agriculture for the State of Arizona

7 serving in the capacity in Arizona that Secretary Lyons

8 serves in California. It's certainly a pleasure for us to be

9 here today and to participate at this forum.

10 As far as the little computer looking outfit there

11 on the desk, the green will shine for a couple of moments.

12 When the yellow is up, you've got one minute. When the red

13 comes on, we will be shutting you down.

14 (Laughter.)

15 CO-MODERATOR JONES: So with that, we'll start with

16 Mr. Steve Easter.

17 MR. EASTER: Thank you very much. On behalf of Blue

18 Diamond growers and our nearly 4,000 farmers here in

19 California, we welcome you to California and thank you for

20 this opportunity to meet with you as we prepare for this next

21 round of negotiations.

22 As has been said, I'm Steven Easter representing

23 Blue Diamond and I've represented almond growers for over 30

24 years in trade issues and trade negotiations and been

25 fortunate to be involved in both the Tokyo and Uruguay

1 Rounds.

2 I'd like to start my testimony with a few comments
3 about the almond industry. I'm really summarizing my
4 statement that I've given you all for the record. But I'd
5 like to reiterate that almonds are California's leading food
6 export and its largest tree crop. It's among the top ten
7 U.S. food exports for the last several years. And California
8 almonds make up 70 percent of the world's supply. And all of
9 the commercial production of California almonds -- U.S.
10 almonds is here in California.

11 In 1996, we first exceeded \$1 billion in export
12 value in almonds on a worldwide basis. And we see the
13 potential for substantial increases beyond that, as we
14 predict that there will be at least a 20 percent increase in
15 production over the next five years.

16 The key issue for almond growers in this upcoming
17 negotiations are tariff issues. We believe that the tariff
18 levels this round need to be given careful attention and are
19 important to the commercial success of the almond industry.
20 We think that they really are the key to providing more of
21 this highly nutritious commodity to the world consumers.

22 And I think under tariffs there's three areas that
23 we ought to concentrate on. First, is the area of very high
24 tariffs that exist in certain commodities worldwide.
25 Naturally, we don't have to be too concerned about things

1 like coffee that we don't produce, but everything that we
2 produce in the United States we should look at.

3 A good example of this is the almond industry, which
4 is really our key issue and that is the tariffs in India. We
5 need a dramatic reduction in those tariffs which are
6 currently, at today's price levels, about 100 percent. So
7 this is one of the highest tariffs for our products that
8 exist, and still we're the leading U.S. export to India. We
9 think, though, that there's a chance to double or triple that
10 export with lower tariffs.

11 The next area I think is an area you might call
12 minimal or nuisance tariffs, such as exists in the EU,
13 there's a three and a half percent tariff there. And we have
14 seen over the years, in past negotiations, an effort to
15 reduce, or, excuse me, I should say eliminate, all tariffs
16 below five percent. We think that should be pursued, which
17 would eliminate a duty like the three and a half percent in
18 the EU. It would also eliminate the Japanese duty on
19 almonds. And so this should be an objective of the United
20 States.

21 And then, finally, I think the area that could be of
22 most help to almonds would be the idea that's been proposed
23 of zero duties on certain commodities. We believe that the
24 almond industry is ripe for this worldwide and that a zero
25 worldwide duty for all almonds shelled, unshelled or

1 processed or unprocessed could be accomplished and would be
2 appropriate in this negotiating round.

3 We don't think that the producing countries would be
4 hurt because most producing countries, other than the United
5 States, are importing almonds as it is. So we believe that
6 this would be a very viable approach to the almond industry's
7 situation for these coming negotiations.

8 There are some other areas that I've addressed in
9 the submission having to do with high tariffs and places like
10 Korea, but I'll leave that to your reading.

11 Thank you very much.

12 CO-MODERATOR JONES: Thank you, Mr. Easter.

13 Ken Kaplan.

14 MR. KAPLAN: Well, my name is Ken Kaplan. I'm a
15 farmer. I've been growing pistachios for 30 years and
16 farming for that amount of time in California. And I
17 represent California pistachios, Arizona and New Mexico
18 pistachios.

19 My testimony will be brief and will cover the
20 following subjects, reduction of tariffs, elimination of
21 trade-distorting domestic support and elimination of all
22 export subsidies and mislabeling of exports.

23 In general, our industry supports many of the goals
24 already announced by the Administration, a three-year round,
25 elimination of export subsidies and non-tariff barriers and a

1 reduction of tariffs.

2 An important trade obstacle facing our industry are
3 tariffs on raw and value-added pistachios. Though very few
4 countries in the world produce and export pistachios, mainly
5 the United States and Iran, many countries, nonetheless, have
6 high tariffs. India's tariff on raw pistachios is 45.6
7 percent and South Korea and some of the Asian countries have
8 tariffs in excess of 50 percent.

9 While the United States pistachio tariffs on raw and
10 roasted are minimal, the U.S. tariff on roasted pistachios is
11 free for GSP and other countries with special treatment and
12 only one percent per kilogram for other countries. The U.S.
13 pistachio exporters face much stiffer duties in some of our
14 leading markets. For example, in Europe the tariff for
15 roasted pistachios is 12 percent and it will be reduced to
16 only 10.2 percent by the year 2001.

17 The industry is also concerned over subsidies which
18 the European Union, the EU, has made available for their
19 local nut industries. In 1999, for example, the EU provided
20 its nut producers over \$110 million. Subsidies of this size
21 encourage production and provide yet another obstacle for the
22 U.S. industry, which receive no government support.

23 This subsidy has actually increased since the
24 Uruguay Round, the multi-lateral round that was to eliminate
25 exports and domestic subsidies. We urge complete elimination

1 of this trade distorting subsidy in the new trade round.

2 Finally, the industry wishes to comment on
3 mislabeling of products in our export markets. Our industry
4 is currently aware of situations in China, Germany and Israel
5 where consumer packages of pistachios have been found to be
6 labeled as U.S. pistachios's but actually have Iranian nuts
7 in them.

8 As I am sure you know, over the last year, the EU
9 halted imports of Iranian pistachios and Israel began
10 inspecting Iranian pistachios because of excess levels of
11 aflatoxin. Our industry is very concerned that Iranian
12 pistachios containing aflatoxin, but labeled as a U.S.
13 product, could be chosen for testing. When this sample would
14 test positive for aflatoxin, it would have a devastating
15 impact on the exports of that country and to our industry as
16 a whole.

17 While we do not know the extent of the problem, our
18 industry, nonetheless, is very concerned that the mislabeling
19 may undue the progress which we have made in developing
20 overseas markets.

21 Since we are entering a new multi-lateral trade
22 round, we urge the Government to take the lead and negotiate
23 a country of origin agreement for the purpose of eliminating
24 country of origin marking fraud.

25 I want to thank you very much for your time.

1 CO-MODERATOR JONES: Thank you, Mr. Kaplan.
2 David Miller, California Tree Fruit Agreement.

3 MR. MILLER: Yes. I'm David Miller, the
4 International Program Director for the California Tree Fruit
5 Agreement. That would be the marketing body for the peach,
6 plum and nectarine growers of California under various
7 federal marketing owners and state marketing owners for the
8 plum marketing Board.

9 On behalf of the nearly 2,500 growers, I would say
10 there's several important issues we'd like to address in this
11 next round regarding trade. But since we're small
12 horticultural producers, we'd like a shorter round this year
13 in agreement with what the Administration says. We'd also
14 like to talk about the technical issues which tend to be our
15 only avenue of resolution when we come into quarantine
16 problems.

17 Because while the last round did, indeed, address
18 several issues regarding SPS issues, it seems there are still
19 many countries that are of a single mind about using
20 quarantine barriers as a great means of protecting the
21 growers of a more competitive marketplace.

22 Therefore, should we enter into the discussion of
23 the SPS issue, it certainly would be in our interests that we
24 do everything we can to avoid getting into this dialogue and
25 backsliding from what we already gained in the last round.

1 So, when we see that these countries take these
2 stands, we should certainly, at least, set up new standards
3 that they must justify their position, should they choose to
4 take this insidious form of protection. At the very least,
5 we have to give them the scientific issue that they have to
6 address the level of threat that comes to their country.

7 It's very unfair that a country post a barrier for a
8 particular insect or any specific life form, be it a fungus,
9 insect or a bacterial or viral disease, without having first
10 hand assessed the populations of such entities already
11 present in their country or production areas. It would be
12 preferred that their own scientific papers have also been
13 reviewed internationally by their scientific peers, hence
14 unfettered by unqualified peer or political oversight.

15 Then we get to Pest Risk Assessment a part of SPS.
16 These mechanisms worldwide are far too variable. If we could
17 standardize this process, it would allow government agencies
18 and commodity groups the ability to prepare the information
19 ahead and the receiving country to abide by a standard of
20 what must first be evaluated. These commodity-specific
21 assessments ought to assess the areas of production and not
22 just a country at large.

23 Absolutely, a sovereign nation's quarantine security
24 is critical, but we need to set new standards for what
25 constitutes a secure level of treatment. Certainly, "zero

1 tolerance" is not tolerable. Especially given that some of
2 the countries with this policy are also intolerant of
3 pesticide residues.

4 For example, right now, we have a situation in
5 Taiwan. They're increasing their quarantine conditions, but
6 they're not allowing us to use the pesticides that we've
7 allowed to use under EPA standards and hence they're keeping
8 us out with a double standard. We have to avoid SPS security
9 that will result in "scorched earth" policies of methyl
10 bromide fumigation or all out exclusion.

11 At the very least, given the advanced techniques of
12 the day, a system should be allowed that allows the suppliers
13 to implement a "Systematic" process, by which each level of
14 the production of a commodity can minimize the potential
15 introduction of an unwanted pest.

16 A systems approach should be allowed that is
17 quantifiable and provides a level of security commensurate
18 with the threat. Furthermore, such systems may tend to be
19 safer and possibly even more environmentally sound and
20 looking more towards the future.

21 As I mentioned, SPS is a problem, but we have other
22 issues. Unfettered access should also include the
23 elimination of discretionary import permitting practices. We
24 also need to recognize that the dispute resolution process,
25 though a very forward approach in this issue, needs to have

1 some teeth put into that process.

2 Probably, on the horizon what we see, with SPS
3 barriers, is this new variant called food safety. Now, I
4 guess, the quarantine agencies see there's a problem with
5 their approaches so far, but as we see new lists of
6 acceptable chemicals, additives and pesticides coming into
7 the mix of what can be allowed into a country, we find a
8 whole new opportunity for more barriers and we need to
9 protect against that.

10 CO-MODERATOR JONES: Thank you, Mr. Miller.

11 Greg Thompson from the Prune Bargaining Association.

12 MR. THOMPSON: Thank you. My name is Greg Thompson.
13 I'm general manager for the Prune Bargaining Association. We
14 represent growers throughout California. However, I'm here
15 today on behalf of the California Prune Board to address
16 three trade issues that are of particular concern to the
17 California prune industry.

18 The first of these is the protectionism of the
19 Israeli Government for their very small domestic dry prune
20 industry. The Israeli government allows importation of
21 prunes only by import license. These licenses are
22 distributed through favoritism to companies that are not even
23 prune importers, who then resell them at a profit to
24 legitimate prune importers. There's no transparency to the
25 licensing system. It's inefficiency limits access for

1 California prune exporters.

2 In addition, an artificially low tariff rate and
3 import quota of 2,000 metric tons, an exorbitant tariff above
4 this quota, creates an ex-custom price of \$7,500 per metric
5 ton, which further limits our ability to export prunes.

6 Our second concern is the import tariffs of 30
7 percent that China levies on California prunes and a 35
8 percent levy on prune juice and concentrate, which
9 discourages direct importation.

10 In China, there's a 17 percent value added tax and a
11 5.1 percent consumption tax. This increases the price of our
12 prunes to a point where a bag of California prunes costs
13 nearly ten percent of the average Chinese worker's weekly
14 salary. If China is allowed to enter into the World Trade
15 Organization, they must be persuaded to lower their
16 protectionist import duties.

17 Finally, the European Union's processor subsidy
18 system has led to the expansion of prune production in Europe
19 under artificial price supports. These subsidies began in
20 1978 and encourage farmers to expand production. This
21 resulted in a severe over supply in 1996. While France, the
22 largest producer in Europe, has since taken measures to limit
23 production, California has lost market share in Europe due to
24 the permanent expansion of their industry, which was
25 encouraged by the EU subsidies.

1 The EU pays these subsidies to prune processors who
2 then agree to pay guaranteed minimum prices to prune growers.
3 The resulting grower prices have averaged more than twice as
4 much as what California prune growers receive.

5 While the prune industry in France has taken steps
6 to manage their supply, we are concerned that unless these
7 subsidies are limited, further expansion of prune production
8 in Europe will result in further loss of markets to our
9 California growers.

10 The GATT agreement, resulting from the Uruguay
11 Round, only affected producer subsidies, not processor
12 subsidies. This unfair trade practice has continued, but
13 must be addressed in the next round of trade negotiations.

14 I'd like to thank you for this opportunity to speak
15 to you today.

16 CO-MODERATOR JONES: Mr. Thompson, thank you. Do
17 our negotiators have any questions of our panelists?

18 Yes, Mr. Ambassador.

19 AMBASSADOR BAAS: Thank you. I have one for the two
20 nut guys.

21 (Laughter.)

22 AMBASSADOR BAAS: I'm sure you've heard that a
23 million times. Anyway, I appreciate that there are high
24 tariffs in a number of your markets and that maybe some of
25 these countries don't produce almonds or pistachios. But the

1 thought occurs to me that maybe they produce other nuts that
2 they're afraid are competing or will be hurt by imports of
3 your products.

4 Are there any studies that have ever been done on,
5 you know, the competitiveness of almonds and pistachios with
6 other nuts, I don't know, cashews or walnuts or whatever,
7 that are produced in India and Korea and any other places you
8 mentioned? Is there anything along that line that's ever
9 been done that would show that, you know, almonds, for
10 example, are really not competing with cashews, because
11 they're used this way or another way?

12 I'm kind of just looking here for some ammunition.

13 MR. EASTER: Let me start here. Steve Easter --

14 AMBASSADOR BAAS: And maybe my assumption is wrong
15 too, I don't know.

16 MR. EASTER: Steve Easter with Blue Diamond. And
17 I'll start off and address that issue. The principal market
18 that I mentioned as being a problem for the almond industry
19 is India. And they are a cashew producer of sorts. They
20 actually do a lot of reprocessing of cashews and ship them.

21 But those cashews, most of which come into the
22 United States, come in duty-free. So, you know, what we're
23 talking about here is kind of a reciprocal arrangement. And
24 what we find in looking at those markets, and I suppose
25 experience may be the best study, and this has to do with a

1 lot of, let's say, a basket of nuts, tree nuts, we put them
2 in that category, is we find there are a lot of complementary
3 uses.

4 And, in fact, the industries together, through the
5 International Nut Congress, are doing a lot of work together
6 on the research about the benefits of consuming nuts. And so
7 what we find out is that we tend to be complementary, that if
8 nut consumption in a country or in an area is up, all nuts
9 are generally up and it helps everyone.

10 And so we don't believe it's a big competition
11 factor. It could come up in one or two instances, if one
12 particular nut product is especially expensive one year and
13 another is particularly cheap, there may be some cross over,
14 but even then we usually don't find more than about ten
15 percent. That's been our experience.

16 And, you know, I think a good example here at the
17 table is almonds and pistachios. Pistachios are largely,
18 what we call, eaten out of hand, as a snack item, where
19 almonds are largely an ingredient item. And so there are all
20 types of uses of these different products.

21 And so at least our history, as we go along, has
22 shown that we're much better off acting as complementary
23 products than as competing products.

24 MR. KAPLAN: The only thing I have to add is that in
25 a lot of cases pistachios are not competing directly. And

1 when you look at a tariff on a raw product, when we would --
2 and pistachios, being a consumer item, need more processing,
3 roasting, salting. And it's upsetting to us that a raw
4 product that could help an industry, an example, India, where
5 they can be taking that raw product and then processing it to
6 still have a 45.6 percent tariff makes no sense, because
7 we're not sending a finished product. We're trying to get a
8 raw product.

9 AMBASSADOR BAAS: It makes no sense from their point
10 of view.

11 MR. KAPLAN: Yes, thank you. It makes no sense for
12 them, because it can help start industries within their own
13 country.

14 AMBASSADOR BAAS: Thanks.

15 USDA DEPUTY SECRETARY ROMINGER: I want to comment
16 on the two nut commentators here as well.

17 (Laughter.)

18 USDA DEPUTY SECRETARY ROMINGER: The almonds --

19 CO-MODERATOR JONES: Figuratively speaking.

20 USDA DEPUTY SECRETARY ROMINGER: I think you know
21 Steve that we had negotiations going on in Geneva, now with
22 India, over some of our balance of payment issues. And we're
23 arranging this tariff issue there in that forum. If we're
24 not successful there, however, it certainly will be an item
25 in the next round of negotiations. So we're going to keep

1 after them.

2 MR. EASTER: Thank you very much.

3 USDA DEPUTY SECRETARY ROMINGER: Ken, on the
4 pistachios, if you have any data on domestic subsidies, we'd
5 like to have that so we could have that ammunition going into
6 the negotiations.

7 MR. KAPLAN: I will get that for you.

8 USDA DEPUTY SECRETARY ROMINGER: Okay. Thank you.

9 On Taiwan and their new pesticide tolerances, that's
10 an issue that actually is being discussed, as we speak here
11 today, in an APEC forum that's taking place. Ambassador
12 Fisher is raising that issue there. And Taiwan's accession
13 to the WTO is certainly going to be contingent upon a
14 satisfactory negotiation with respect to this issue, so we're
15 working on it.

16 MR. MILLER: That would be good to have that
17 resolved.

18 CO-MODERATOR LYONS: Mr. Chairman, maybe I could ask
19 Mr. Miller to maybe expand on what that issue is for the rest
20 of the panel that might not quite have the in-depth -- you
21 know, how serious it is.

22 MR. MILLER: Thank you, Mr. Secretary. Yes. Well,
23 Taiwan, as you know, is trying to come in to the WTO. So you
24 assume that they've read the existing laws. And that's why I
25 see where we need some clarification, because here they are

1 trying to set up a maximum residue level for incoming
2 commodities from throughout the world. They're looking at
3 their old standard, which is fairly limited, a small island
4 nation, tropical country, practically, so it has a different
5 list. So it's now trying to figure out how to apply Codex.

6 It's very haphazard their implementation of this
7 process. They're not clear on what they're supposed to do,
8 therefore our growers who are currently in the midst of
9 shipping season suddenly have to face a new range of
10 conditions upon entry of fruit that was shipped without prior
11 knowledge of these conditions.

12 And it's difficult for the Taiwanese. Obviously,
13 they're trying to come in to this new process. But we need
14 to have a fairly clear set up how to put in this type of
15 residue testing, so that everybody has fair access and fair
16 warning of that access. And I just think that we've seen --
17 hopefully, we've learned from this particular experience with
18 Taiwan that we have to have a good dialogue and a good
19 standard that can be put forward in these types of
20 negotiations.

21 CO-MODERATOR JONES: Any further questions?

22 No. We thank you, Misters Easter, Kaplan, Miller,
23 and Thompson. Thank you very much.

24 Would the Panel number 6 participants please come
25 forward, Joel Nelsen, Jean-Mari Peltier and Bill Quarles.

1 Mr. Nelsen, when you're ready.

2 MR. NELSEN: Thank you. Good afternoon, ladies and
3 gentlemen. My name is Joel Nelsen and as co-chair of the
4 U.S. Citrus Science Council, I'm here today to offer the
5 views of an entity that is virtually supported by the entire
6 citrus industry in California and Arizona.

7 At the present time, our industry exports
8 approximately \$700 million of citrus every year. The sales
9 are essential to the economic health of the industry. And
10 the citrus industry is desirous of and committed to working
11 with the USDA and USTR in order to increase our export
12 sales.

13 Having said this, I want to focus on the SPS
14 agreement and the U.S. activities pursuant to that. We can
15 all agree that that agreement is a very ambitious
16 undertaking. As a matter of fact, Secretary Glickman
17 recently stated to an agricultural group that the dispute
18 resolution process of the WTO is not working.

19 In those same comments, he also stated that sanitary
20 and phytosanitary matters will be the biggest negotiating
21 item on the agenda of the upcoming round of agricultural
22 trade talks.

23 Yet, it's our understanding, based on a concern that
24 the agreement might be weekend, we believe that some were
25 considering, as a U.S. policy, not to ask for any changes in

1 this next round. Well, given the recognition that things are
2 not working as envisioned, we believe that that policy should
3 be revisited. Our experience tells us that SPS issues have
4 tremendous importance for the future of trade between the
5 world's countries.

6 We believe vastly increased resources need to be
7 dedicated to the interpretation and implementation of the
8 SPS. Without such a dedication, the promise of SPS will
9 never be realized. Without the necessary dedication,
10 mistakes can and will be made, such as the introduction of
11 exotic pests and diseases. This is extremely costly to the
12 society of the United States of America.

13 SPS, as we all know, is essentially a framework for
14 a new approach to sanitary and phytosanitary issues. All
15 membered countries must address the interpretation and
16 appropriate implementation of this framework.

17 Looking to our own activities domestically, we
18 believe that first and foremost the Department of Agriculture
19 must put in place essential procedures and regulations for
20 the implementation of the agreement.

21 This omission has led to two problems, we believe.
22 One, there's a lack of confidence within the U.S. grower
23 community and with USDA as far as these rule-making
24 procedures are considered. Two, because of this lack of
25 confidence and the reaction from the grower community, it

1 creates confusion with our trading partners. There's an
2 action and a reaction that's unfortunately not necessarily
3 positive.

4 Our lack of confidence at the grower level emanates
5 from the significant increase in exotic pests and disease
6 invasions and the outreach prior to the issuance of a trade
7 proposal.

8 Other specific issues of concern to the U.S. Citrus
9 Science Council are as follows. One, the terms pest free or
10 disease free areas, areas of low pest or disease incidence.
11 These terms have all become much more nebulous in the last
12 few years. There needs to be more work to achieve worldwide
13 agreement on the exact parameters and implications of those
14 concepts.

15 We're concerned about the recent proposals issued by
16 USDA that rely on systems' approaches. We do not believe the
17 negotiators of the SPS nor Congress, when it enacted the
18 Plant Quarantine Act of 1912, ever intended the SPS to
19 encourage the exportation of fresh produce from growing areas
20 with populations of serious plant disease and/or pests.

21 Again, a mistake in any one of these two areas leads
22 to significant business and consumer economic ramifications.
23 I ask you just to witness the cost of eradicating cancer in
24 Florida right now. What's going on with the introduction of
25 the fire ants in the southwest, beetles in Chicago. All

1 these -- and the list goes on with all these pests and
2 diseases and unfortunately the costs continue to increase.

3 The SPS agreement also placed extraordinary
4 importance on and confidence in a new analytical tool, known
5 as risk assessment. It appears to us that the United States
6 is trying to lead the world effort in the use of this tool.
7 We have no problem with this, but however we believe a
8 tremendous amount of scientific and analytical work must be
9 done before this tool can be applied to growing situations
10 where a plant disease exists. The international community
11 must establish standards for the preparation of a risk
12 assessment.

13 The development of standards, criteria,
14 methodologies, et cetera could eliminate the referral of so
15 many matters to the dispute resolution process that the
16 Secretary has expressed concern about.

17 In closing, we believe contentious areas exist
18 between domestic producers and government. Subsequently, our
19 government and our trading partners as a result. Many of
20 these issues overlap. It's important that within the
21 boundaries of the United States, we achieve agreement on
22 rule-making procedures, science criteria, et cetera and then
23 take these agreements and work with our trading partners and
24 achieve the ultimate goal that we all want, increased and
25 harmonious trade relations.

1 Thank you.

2 CO-MODERATOR JONES: Thank you, Mr. Nelsen.

3 Ms. Peltier.

4 MS. PELTIER: Thank you. Good afternoon. My name
5 is Jean-Mari Peltier and I'm the president of the California
6 Citrus Quality Council. Our organization was created over
7 three decades ago, with the purpose of assuring that
8 wholesome citrus fruit finds its way into both domestic and
9 international markets with no pesticide residues in
10 exceedance of internationally and nationally established
11 standards.

12 We're involved in assisting our growers in quality
13 control, in quarantine matters, providing technical
14 assistance and helping with international compliance. We
15 appreciate this opportunity to speak at this information
16 gathering session and are glad to be able to provide
17 information on critical agenda items as the world prepares
18 itself for this -- actually, the millenium round of
19 multilateral trade negotiations.

20 International trade is extremely important to the
21 citrus industry, as Mr. Nelsen referred to earlier. Roughly,
22 a third of our orange and lemon crops from California find
23 their way into the international market, with a value at
24 something over \$450 million.

25 CCQC has been involved through the years in assuring

1 that phytosanitary standards are based on science, as Mr.
2 Nelsen referred to. And we've also worked as a member of the
3 North American Plant Protection Organization, as well as the
4 Codex Committee on pesticide residues.

5 In addition, in a previous life, I was the Chair of
6 the Fruit and Vegetable Agricultural Technical Advisory
7 Committee on trade and most recently served at the Department
8 of Pesticide Regulation here in California and as a member of
9 the Tolerance Reassessment Advisory Committee.

10 It's from this context that I would like to raise
11 just one important issue with you today and that's the
12 establishment of Codex maximum residue levels in compliance
13 with our tolerances established by the Environmental
14 Protection Agency.

15 The value of Codex limits to the citrus industry
16 can't be over estimated. They serve, if you will, as a
17 passport for entry into foreign markets. In the absence of
18 these Codex limits, food shipped in international trade isn't
19 provided the protection of the World Trade Organization. And
20 it's at the risk of being rejected by regulatory authorities
21 in the importing countries. And certainly, this is the
22 situation that we found ourselves in at the current time with
23 Taiwan.

24 In going through that process, I had the opportunity
25 to review the existing tolerances established for the citrus

1 industry and the corresponding Codex MRLs and was alarmed to
2 find out that less than a third of the pesticides for which
3 we have EPA tolerances have Codex MRLs. And that represents
4 about 50 percent of the pesticides that are used in the
5 California citrus industry that currently don't have Codex
6 MRLs established.

7 As Secretary Rominger knows all too well, the world
8 changed in August of 1996 when the Congress unanimously
9 passed the Food Quality Protection Act. That Act called on
10 the EPA to go through a rigorous review of existing
11 tolerances on all the tolerances on pesticides with a third
12 of those to be completed by August of this year. As EPA is
13 going through this rigorous review of existing tolerances,
14 tolerances subjecting them to the new standard of taking a
15 look at the cumulative and aggregate impacts, they are
16 simultaneously trying to expedite the registration of newer
17 reduced-risk technologies. And this has been the case with
18 six new materials since 1996 for the American citrus
19 industry.

20 The difficulty arises with the lag time between
21 establishment of an EPA tolerance and a Codex MRL. That's
22 currently ranging, depending on who you talk to, anywhere
23 from two years to eight years. The average is somewhere
24 around five, from what I understand. What we would like to
25 get on the radar screen of our negotiators is coming up with

1 some sort of a process for expedited acceptance of national
2 MRLs for Codex MRLs.

3 Now, obviously, from our perspective we would say
4 that if you have an existing EPA tolerance, because of the
5 kind of rigor of their current review, that ought to be
6 sufficient for getting a Codex MRL. The devil is going to be
7 in the details obviously. And dealing with an issue of
8 reciprocity with other countries, that don't have similar
9 kinds of reviews, is going to be difficult.

10 I'd like to submit for the record today a copy of a
11 draft working paper that we've prepared on this and would
12 welcome the opportunity to continue to work with you, our
13 negotiators, as we go into this round.

14 Thank very much.

15 CO-MODERATOR JONES: Thank you.

16 Mr. Quarles.

17 MR. QUARLES: I'm William Quarles, vice president of
18 Corporate Relations for Sunkist Growers.

19 We appreciate this extra effort by your Departments
20 and offices to listen to agricultural producers around the
21 country to help set the priorities for the U.S. negotiating
22 agenda in the next WTO round. This will summarize my
23 prepared statement, which I understand will be included in
24 the word.

25 Sunkist is a not-for-profit agricultural cooperative

1 owned by 6,500 citrus growers in Arizona and California. We
2 produce 65 percent of the citrus fruit in the two states.

3 International trade is of vital importance to
4 Sunkist as we export over one-third of our production, from
5 which we derive about 45 percent of our members fresh fruit
6 revenue. No dumping here.

7 We advocate our members' interests on trade issues.
8 Let the record show, we have delegated that responsibility to
9 no other individual or organization on trade or any other
10 issue. We appreciate the fact that these negotiations will
11 define the terms and conditions of international trade and
12 agricultural commerce for the next decade and beyond. These
13 will be the new groundrules that we will have to live by.

14 But first, we wish to take this opportunity to
15 commend the Clinton Administration, USDA, USTR and the State
16 for the significant Market Access Agreement with China that
17 will prove over the years to be an outstanding export market
18 for the U.S. citrus industry.

19 This has come on the heels of other significant
20 market access achievements on behalf of the U.S. citrus
21 industry the past couple of decades, India, Japan, Taiwan,
22 Korea, Thailand and many others. I know some of you,
23 particularly Secretary Rominger and Dr. Murphy, have had
24 significant personal involvement in these activities over the
25 years, along with a couple of other of your colleagues here

1 today, Jessica Wasserman and Pat. We're greatly
2 appreciative.

3 With the recently achieved access to China and
4 India, the U.S. Citrus industry is in the enviable position
5 of now being able to focus almost exclusively on development
6 of those world markets. The Uruguay Round resulted in a
7 great deal of progress toward freeing world trade and
8 agriculture. We request that the next round build upon that
9 progress.

10 With that as background, there are three priority
11 issues that confront our industry as we move toward market
12 and development, which we urge be dealt with during the next
13 WTO round.

14 First, tariffs. As is usually the case, once market
15 access is achieved, the next hurdle is overcoming significant
16 tariff barriers. Today, we face a 74.5 percent out-of-quota
17 duty on oranges into Korea and a 50 percent in-quota tariff
18 under the current tariff rate quota system, which I will
19 speak to later.

20 Additionally, we're charged a 42 percent duty on
21 lemons and grapefruit in Korea, 38 percent duty on oranges
22 into Japan during the winter months and a 19 percent tariff
23 during the summer months, 40 percent duty into Taiwan, 51
24 percent duty on oranges into Thailand and a 56 percent tariff
25 for lemons and grapefruit and a 51 percent tariff on our

1 citrus fruit into India.

2 And then on top of that, an issue that Dr. Murphy is
3 familiar with, the European Union's discriminatory tariff
4 preference scheme that is still in place. Meanwhile, citrus
5 from these countries enjoyed almost duty-free entry into the
6 United States. Korean citrus, for example, is assessed one
7 cent per pound, less than one percent on an add valorem
8 equivalency basis for entry into the U.S. We urge our
9 negotiators to press for harmonization of citrus tariffs
10 imposed by our trading partners at the United States at the
11 U.S. level.

12 Second, tariff rate quotas. Currently, our oranges
13 are imported into Korea under a tariff rate quota system.
14 Under that system, the entire import license is granted by
15 the Korean government to the Korean Citrus Growers
16 Association, our in-country competition.

17 They import the quota volumes on a low-bid basis for
18 closing organizations such as Sunkist from developing that
19 market through the use of advertising and promotion. The
20 tariff rate quota system should be eliminated or reformed.

21 Thirdly, SPS. We must maintain and enforce strong
22 science-based sanitary and phytosanitary policies. This
23 would include resisting every effort by some of our trading
24 partners to open up the SPS agreement to modify it by
25 substituting political science for sound physical science.

1 Finally, a matter that will not be addressed in the
2 next round, but is a major restraint of trade, nonetheless.
3 All of the aforementioned, the significant market access
4 successes achieved over the past couple of decades by the
5 Clinton Administration and its predecessors along with tariff
6 harmonization and the elimination of tariff rate quotas will
7 be meaningless to our industry if our government does not act
8 effectively to prevent production areas in California and
9 Arizona from being overrun by exotic pests and diseases.

10 Given our past progress in eliminating trade
11 barriers, the most significant future restraint of trade is
12 and will be pest and disease quarantines of agriculture
13 production in the United States. Quarantines by key trading
14 partners of our fruit lying in infestation areas is more
15 devastating to our ability to export than the highest of
16 tariffs. These infestations are occurring with greater
17 frequency.

18 Last year, we suffered 26 exotic pest infestations
19 in California with several key trading partners imposing
20 quarantines on all citrus production in San Diego, Orange and
21 Riverside County.

22 CO-MODERATOR JONES: Mr. Quarles, if you can
23 summarize.

24 MR. QUARLES: This demands the attention and
25 effective remedy of our government. It must be recognized

1 that as government is downsized, if all agencies are
2 downsized at the same rate, some will be downsized to the
3 point where they can no longer do their jobs. APHIS has long
4 since passed that point.

5 The Congress and the Administration must focus more
6 attention and restore more budgetary resources to address
7 this need. We call on President Clinton for leadership
8 toward this end. Otherwise, it is feared the elimination of
9 all tradition of restraints of trade in citrus in the next
10 round will go for not.

11 Thank you, Mr. Chairman, for bearing with me.

12 CO-MODERATOR JONES: Thank you. Any questions of
13 our negotiators of our panel, Mr. Nelsen, Ms. Peltier or Mr.
14 Quarles?

15 CO-MODERATOR LYONS: Mr. Chairman, I should have
16 warned you that the three citrus people are color blind and
17 couldn't see the lights.

18 (Laughter.)

19 CO-MODERATOR JONES: There was no orange, so they
20 paid no attention to it.

21 (Laughter.)

22 CO-MODERATOR LYONS: I apologize for that, Mr.
23 Chairman.

24 MR. QUARLES: We missed the yellow.

25 (Laughter.)

1 CO-MODERATOR JONES: Any questions from our
2 negotiators for the panel?

3 Mr. Rominger.

4 USDA DEPUTY SECRETARY ROMINGER: Yeah, I just wanted
5 to say some things in response to some of the things that
6 have been mentioned here. On the SPS agreement and the
7 possibilities of opening that up. You know, I think we agree
8 with you that we don't want to open it up and have some of
9 these countries introduce other things that we don't think
10 belong in the SPS. But what we do think we need is some
11 clarifications in the SPS agreement that will go a long way
12 to solving some of our problems. So we're working on it from
13 that end.

14 Codex standards, Jean-Mari, I think we agree with
15 you there. We are working with Japan and some of the
16 developing countries to see if we can't make some headway on
17 that issue. As far as Taiwan goes, of course, when they
18 accede to the WTO, why, those tariffs have to come down, so
19 we're looking to keep working on that.

20 So both China and Taiwan want the end of the WTO as
21 we all know, but they have to have a package that will
22 satisfy some of our needs, so we'll keep working on that
23 one.

24 On pest infestations, we certainly welcome the
25 support for APHIS. They do have a big job and as world trade

1 and travel, people traveling, if those numbers continue to
2 increase, we know we've got more pest pressures. We also
3 know that, from time to time, we've had smuggling of
4 different commodities coming into the U.S. So I know
5 California has been tightening up on that and we're working
6 with them doing the same thing. But both the smuggling, the
7 intentional bringing in of products and tourists accidentally
8 bringing them in, we know we've got to step up the efforts
9 there. And we welcome your support on getting APHIS what it
10 needs to do the job.

11 CO-MODERATOR JONES: Mr. Ambassador, Dr. Murphy,
12 anything?

13 No? Thank you, panelists very much.

14 Panel number 7, if you'd come forward please, Roger
15 Baccigaluppi.

16 MR. BACCIGALUPPI: I knew you were going to have
17 trouble with that.

18 CO-MODERATOR JONES: I knew I was going to have
19 trouble with that too. How about if I just call you Roger?

20 MR. BACCIGALUPPI: That's good.

21 CO-MODERATOR JONES: Dr. Dan Sumner, Benjamin Taft
22 and Glenn Vandervoort.

23 CO-MODERATOR LYONS: Good group here.

24 CO-MODERATOR JONES: Good afternoon.

25 CO-MODERATOR LYONS: Why don't we --

1 CO-MODERATOR JONES: They're backwards. Roger, Dr.
2 Sumner, Mr. Taft and Mr. Vandervoort.

3 CO-MODERATOR LYONS: This comes off your time.

4 (Laughter.)

5 CO-MODERATOR JONES: Let your conscience be your
6 guide.

7 USDA DEPUTY SECRETARY ROMINGER: We want to make
8 sure Roger went first.

9 CO-MODERATOR JONES: Whenever you're ready start.

10 MR. BACCIGALUPPI: Good morning, it says here. Good
11 afternoon. I expected to be here this morning. I'm
12 delighted to be with you and appreciate the time you're
13 taking to here the concerns of many people this afternoon and
14 this morning.

15 My name is Roger Baccigaluppi. I'm Chairman of RB
16 International, an international marketing consulting
17 company. I served on President Clinton's Advisory Committee
18 on Trade Policy Negotiations and on the California World
19 Trade Commission.

20 For many years, I was the Chief Executive Officer of
21 Blue Diamond growers, one of the nation's largest food
22 exporters, retiring from that position January 1, 1992.

23 RB International, which was started shortly after
24 that, has worked with some of the nation's largest food
25 companies and organizations. Our work has included efforts

1 on behalf of Dairy Management Incorporated, the U.S. Dairy
2 Export Council, Western Pecan Growers Association, Farmland
3 Industries, Tri-Valley Growers, Sunkist, Sunmade Growers,
4 Dairy Farmers of America, Sundiamond Growers, the Port of
5 Sacramento, Blue Diamond Growers and others.

6 Today, I simply wanted to testify on behalf of trade
7 and are doing everything we can, as a nation, to expand the
8 opportunities for sales of agricultural and food products
9 outside the borders of the United States.

10 Only six percent of the potential market for our
11 production lies in this country, with a whopping 94 percent
12 being elsewhere. Would any person, country or state that
13 wants to call itself a marketer ignore that much potential?
14 Clearly, without a question of a doubt, we must be involved
15 in international trade and we must take the World Trade
16 Organization and the upcoming meetings in Seattle as a great
17 opportunity to expand our trade.

18 California is not only the nation's leading export
19 State, but the number one State in the union for agricultural
20 exports. From almonds to Zucchini, exports, and the opening
21 of new markets is of the highest importance to California
22 agriculture. We should add that it's not just a matter of
23 opening new markets and reducing tariffs, but also
24 maintaining some of the gains we have gained in the NAFTA and
25 Uruguay Round.

1 Some, the European Union in particular, would like
2 to reopen the issue of the SPS agreement and amend the
3 current World Trade Organization agreement, so that
4 scientific knowledge, as a determinative of food safety, is
5 diminished and popular opinion and emotion are given added
6 value. To accede to these pressures will simply add another
7 weapon to the arsenal of those who wish to impede
8 international trade in food and agriculture and work to the
9 detriment of California and U.S. agriculture.

10 No state has more to gain from working on behalf of
11 expanded international trade and agriculture than
12 California. California leads the nation in the production of
13 dairy products, almonds, raisins, walnuts, peaches, lettuce,
14 pistachios, and I could on, to save time I won't. It's
15 probably already been said earlier today.

16 At the same time, though, it is clear that all
17 states gain if we can prevail in keeping world markets open
18 and expanding the opening of those that are today closed or
19 only partially open. Again, the reason I wanted to appear
20 today is that so many in America seem to think trade is the
21 enemy. When, in fact, it's our great savior in the
22 agriculture industry and elsewhere. So I wanted to speak on
23 behalf of that.

24 Thank you.

25 CO-MODERATOR JONES: Thank you.

1 Dr. Sumner.

2 DR. SUMNER: First, let me state that unlike most
3 previous speakers today, I represent no one other than
4 myself. In particular, I don't represent the University of
5 California, which doesn't take policy positions on any public
6 affairs matter.

7 To begin, all economic evidence that I know about
8 shows that opening markets is a strong positive factor for
9 U.S. and California agriculture. There's no question about
10 it, more open markets creates economic growth and stronger
11 economy here and abroad. This expands the demand for farm
12 commodities, especially California agricultural commodities.

13 The overall point in my statement, which is the
14 written statement which you've been given, is to urge the
15 negotiators to focus on the basics and to move quickly. In
16 particular, we should note well that the best protection of
17 strategy for the new round is delay. I elaborate on all
18 these views in the statement, but the key point is our goal
19 should be agricultural free trade by 2010.

20 And, in fact, this can be achieved --

21 CO-MODERATOR LYONS: We're not using that. There's
22 a little malfunction.

23 CO-MODERATOR JONES: Technical difficulty.

24 DR. SUMNER: This agricultural free trade by 2010
25 can be achieved almost by simply extending the Uruguay Round

1 without delay. There are several steps that I'll mention
2 about open markets as quickly and fully as possible. And
3 this is really the key, continue the Uruguay Round tariff
4 cuts at roughly the same base, six percent a year off 1995
5 base is roughly the same as a ten percent tariff cut off a
6 year 2000 base. Either one will get us to the same point,
7 essentially free trade by 2010.

8 Along the way, it probably makes sense to expand
9 quantitative access in TRQs, say, going from our five percent
10 minimums to a ten percent minimum. That's not as important,
11 because if we move quickly with the tariff cuts, that will
12 take care of it. But I think expanding quantitative access
13 in some markets is important. We can also eliminate export
14 subsidies over this ten-year period, by essentially
15 continuing the Uruguay Round Agreement cases.

16 Now, let me add a few other points. I do believe we
17 need some special monitoring for State trading enterprises to
18 assure their compliance with import and export rules. That's
19 not a whole list of new rules, it's just compliance. I
20 believe we should fully implement but not reopen the SPS
21 agreement. The case law so far seems to be going in the
22 right direction. Obviously, dispute settlement is tedious,
23 but it seems to be going in the right direction.

24 Frankly, I believe we should ignore internal
25 supports. Internal support rules are a distraction. They

1 don't open markets. They really have achieved nothing in
2 this round. And I elaborate on this in my statement, I think
3 they just don't get us what we need.

4 I believe we should drop special and differential
5 treatment. It doesn't do the less-developed countries any
6 good and it hurts the rest of the world. It doesn't open
7 markets any quicker, which is good for them and for us.
8 Instead, we should provide technical and other assistance to
9 less developed countries, so they can participate more fully
10 in the round and so that they can participate more fully in
11 dispute settlement. I think that's the road to fairness, not
12 the so-called special and differential treatment that really
13 doesn't do them any good.

14 I do believe that the WTO should have a rule that
15 says no export taxes, no quantitative restraints on exports.
16 And, in fact, this will go a long way to addressing the food
17 security concerns that you hear when you travel in Europe or
18 Asia. One argument they use against opening markets is their
19 own food security. And one argument they make about food
20 security is they don't trust international markets.

21 If we can give them written hard assurances through
22 the WTO that we're not going -- that no one who's a member of
23 the WTO is allowed to restrain exports, I think it will go a
24 long way to helping them to open their markets. That's
25 helping them politically in their own countries.

1 Thank you.

2 CO-MODERATOR JONES: Thank you, Dr. Sumner.

3 Benjamin Taft, California Date Administrative
4 Committee.

5 MR. TAFT: Good afternoon. I would first like to
6 thank the panel and the others responsible for this
7 opportunity to present a concern of the California Date
8 industry. My comments will be brief and limited to the
9 Coachella Valley.

10 My name is Ben Taft and I'm a grower member of the
11 California Date Administrative Committee, which is our
12 federal marketing order. Together with a state order, known
13 as the Date Commission, we coordinate USDA inspections,
14 regulate packaging, generically promote our products, perform
15 research and development and provide industry statistics to
16 packers and growers along with a host of other
17 responsibilities.

18 Included in my presentation package is some basic
19 information about our industry and the letter from the USDA
20 FAS detailing one of many scenarios in our predicament. Time
21 does not permit me to highlight or go into great detail, so
22 it has been included for the public record.

23 Date Palms were planted in the Coachella Valley in
24 the 1890s. Well, excuse me, Date Palms were planted in the
25 Coachella Valley of California, which is approximately two

1 hours east of Los Angeles in the early 1890s. And now,
2 plantings cover over 6,500 plus acres. These acres produce
3 over 40 million pounds of our four primary varieties, which
4 are the Deglet-Noor, the Medjool, the Barhi and the Zahidi.
5 The Coachella Valley Date industry maintains a rather steady
6 employment base of around 2,500 people.

7 Incredibly, the 40 million pounds I mentioned
8 earlier is less than 15 percent of the world Date
9 production. California and Arizona produced Dates are the
10 best looking and best tasting in the world. And we need to
11 keep in mind that in the world market, we are not volume
12 producers, we are quality based producers and shippers.

13 And the single issue that brings me before you this
14 afternoon is our desire to have the playing field leveled in
15 the EU, I mean we've heard that from other people today, for
16 all Date producing companies that participate in the EU
17 marketplace. Our California produced Dates are assessed an
18 import duty upon arrival into the EU. Now, this is not only
19 on the Dates, but it is on the Dates and the cost of the
20 freight to get the Dates to the EU.

21 Tariff amounts vary by packaging and shippers can
22 expect duties anywhere from one cent to six cents per kilo.
23 In some scenarios, it's 15 percent. It just varies on
24 packaging and whether it comes with pits, comes without pits
25 and a range of other issues.

1 To many here today in this industry, this is not
2 unusual. We deal with tariffs, but the one thing that is
3 unique to the Date industry is that our competition of
4 Algeria, Tunisia, and Morocco are shipping into the EU
5 duty-free, and some times they are receiving freight and
6 transportation allowances.

7 It does not matter what you ship, Dates or silicon
8 wafers, when your competition is given a significant
9 advantage in such a critical marketplace, you will lose. And
10 you can also be sure that benefits derived from such an
11 advantage in one market can be used to market aggressively in
12 other regions of the world.

13 Please keep in mind, we are a small market and we
14 are unable and unwilling to execute predatory marketing
15 strategies with our limited volume. What we do desire is the
16 ability to provide a quality product at a price people can
17 afford.

18 And just, and I know my time is wrapping up, but to
19 let you know of how big the EU marketplace is to the Date
20 industry. We used to average 12 million pounds a year. Our
21 high-water mark was 20 million pounds. We now average around
22 one million pounds a year. And as a grower, I can tell you
23 that that is not a very pleasant trend. That's not a very
24 pleasant trend. And the ramifications on industry are, as
25 you can imagine, crippling.

1 The age of globalization is here and we must let the
2 marketplace decide. We grow the safest, cleanest crop in the
3 world. The issue is not pest exclusion and it's not
4 phytosanitary, the issue is political. These listening
5 sessions are the only real chance we have for change and we
6 need to voice -- we need your voice on these issues to make
7 the change possible. The EU is a large and pivotal
8 marketplace, and this region of the world is home to a
9 significant number of Date consumers. We do not want any
10 special privileges. We just want the opportunity to have a
11 chance to participate on a level playing field.

12 I welcome you all to come out and visit the desert.
13 It's a wonderful time of year to come visit.

14 (Laughter.)

15 MR. TAFT: And we appreciate --

16 CO-MODERATOR JONES: So is December.

17 MR. TAFT: We appreciate the time and anything that
18 you can do to help us out in our here aforementioned problem
19 would be appreciated.

20 Thank you.

21 CO-MODERATOR JONES: Thank you, Mr. Taft.

22 Glenn Vandervoort, Bard Valley Medjool Date Growers
23 Association.

24 MR. VANDERVOORT: Thank you. Good afternoon, and
25 Buenos tardes.

1 My name is Glenn Vandervoort and I'm the president
2 of the Bard Valley Medjool Date Growers Association. We were
3 incorporated in March of 1987 as a growers marketing
4 cooperative formed to help ourselves collectively market our
5 product. We grow and pack only Medjool Dates. Bard Valley
6 Medjool Date Growers Association is made up of nine growers
7 packing through seven different packing houses, each selling
8 their own fruit using the Brand name of Bard Valley Medjool
9 Date Growers as the selling label. Bard Valley Medjool Date
10 Growers ship over 60 percent of the Medjool Dates grown in
11 the United States. And of that amount, we export 55 percent.
12 Of the export sales, approximately 50 percent goes to
13 European markets. Export sales also tend to be of higher
14 price and quality than our domestic sales.

15 Our competition in the world market is mostly Israel
16 with South Africa and Morocco soon to be in the marketplace.
17 Israel enjoys a location advantage being closer to Europe,
18 thus the transportation costs are much lower and transit
19 times are shorter.

20 The reason for our being here today is that when we
21 sell into the European markets, our product faces import
22 duties ranging anywhere from nine to fourteen percent. On a
23 very high-value item, this can be anywhere from 27 to 52
24 cents a pound depending upon the grades and qualities.
25 Israel, on the other hand, enjoys a free trade type status

1 with the European markets. We would like to be able to sell
2 into Europe on the same basis of no duties.

3 We are no threat to any European country, as they do
4 not grow nor do they have the climate to grow Medjool Dates,
5 thus we would never be in conflict with their agriculture
6 community. The ones most hurt are the retail consumers who
7 have to pay more and have fewer choices. As you know, a nine
8 to fourteen percent increase in the wholesale price
9 translates into roughly double that in the retail price.

10 Europe is a very important market for us and a large
11 part of our marketing mix. Our volume will increase
12 somewhere around 100 percent within the next ten years and
13 Europe will become an even more important part of our
14 marketing mix to absorb the increase.

15 Currently, the Bard Valley Medjool Date Growers are
16 a \$15 million industry for the local economy. We
17 collectively employ over 700 people seasonally in an area
18 with one of the highest unemployment rates in the country,
19 Yuma County, Arizona. Loss of markets, because of issues
20 like trade tariffs and import duties, could potentially lead
21 to the loss of jobs and income in our industry.

22 We realize the trade negotiations are a long and
23 slow process, but we are of no economic threat to any of the
24 European countries. To the contrary, we'd be able to sell
25 our product to the consumers at a lower cost and provide

1 increased choices.

2 All we ask is a level playing field. We appreciate
3 any considerations you might be able to give to our situation
4 and thank you for your time today.

5 CO-MODERATOR JONES: Thank you, Glenn.

6 Do our negotiators have any questions of our
7 panelists?

8 Dr. Murphy.

9 ASSISTANT U.S. TRADE REPRESENTATIVE MURPHY: A
10 question for Professor Sumner, who had some provocative
11 thoughts, particularly the notion that we should ignore
12 internal supports. And I hear what you're saying. I guess
13 the thinking is that if you -- obviously, if you have
14 internal supports to produce surpluses, then you have need
15 for export subsidies.

16 And yes, we are clearly focused on export subsidies,
17 but can you really afford to ignore those internal supports,
18 since our hope of getting the export subsidies, I think, is
19 directly related to those internal domestic supports. But I
20 would be interested in that, if you could elaborate on that a
21 bit.

22 DR. SUMNER: Yeah, I can. And I should say I was
23 heavily involved in the Uruguay Round, where we spent a lot
24 of time on internal supports and I was influenced a lot by
25 that. There are about four or five reasons.

1 The first is, as you know, the internal support
2 agreement that we have is weak and loose and complicated and
3 complex. As I often tell my students, the more pages it
4 takes, the less effective it will be. And the internal
5 support agreement is stacks and stacks of pages, most of
6 which are loopholes.

7 And I don't honestly see any way around that, that
8 being the case. I don't think it was the failure of
9 negotiators. I think the negotiators that we had did a good
10 job. It's just that there are so many varieties of internal
11 support somebody can come up with, that we can write a bunch
12 of rules for the ones that people have told us about now and
13 they'll come up with a bunch more. They won't be effective.

14
15 Secondly, internal support agreements, the ones we
16 have, weaken the nullification and impairment parts. If we
17 didn't have an internal support section, we could apply
18 nullification and impairment. As you know, that's what got
19 us additional access on oil seeds into the European Union.
20 It wasn't an internal support sanction. It was nullification
21 and impairment.

22 It's also the case that it's on -- both on the
23 import and the export side does border measures. If you get
24 the border measures down, it's very expensive. It's very
25 difficult to think of a scheme to have high supports

1 internally if you can't protect your borders. And we know
2 that in U.S. policies as well.

3 One of the issues that concerns me is, we divert the
4 attention away from border measures, the negotiator time.
5 You folks only have so much time and energy and effort. And
6 the more you bash the Europeans and others over one issue or
7 another, the more you're willing to say, ahh, we'll let this
8 other one slide. So if you spend your time on internal
9 supports, you won't get as much.

10 I also think there's a very strong argument that
11 countries, our country included, can quite legitimately claim
12 if we want to support agriculture, we ought to be able to in
13 one form or another. If those are folks we like, we support
14 them. Once you acknowledge that, then you're going to allow
15 some kind of internal supports. And frankly, being able to
16 tell the difference between, as you notice with this panel,
17 being able to tell the difference between red, green and
18 amber is pretty hard.

19 (Laughter.)

20 DR. SUMNER: So I just -- I think it's -- one, it's
21 not feasible, even if we wanted to do it. And two, I think
22 it's counterproductive in a lot of ways. And I've written on
23 this question a few times for academic audiences. And I can
24 provide -- there's some, a little, a paragraph of two, in
25 this statement, and I can provide more to your staff and

1 Secretary Rominger's staff and others.

2 ASSISTANT U.S. TRADE REPRESENTATIVE MURPHY: That
3 would be great.

4 DR. SUMNER: If somebody can contact me, I'll give
5 you more background.

6 CO-MODERATOR JONES: Mr. Rominger.

7 USDA DEPUTY SECRETARY ROMINGER: Yeah. I'd like to
8 follow up with you, Dr. Sumner, on I think you made a comment
9 about special and differential treatment. I'm wondering what
10 you think the role of the multilateral institutions are, the
11 World Bank, the IMF in providing development assistance. I
12 don't think we can undue it all ourselves.

13 DR. SUMNER: No. I think that's a very good point.
14 I'm chairman of something called the International
15 Agricultural Trade Research Consortium, which is a group of
16 academics and government people, foreign ag service, and ERS
17 participate quite heavily, as well as the Canadians, the
18 Europeans and others. That's a non-governmental group with a
19 lot of government participation that tries to provide
20 economic background to our counterparts all over the world.

21 We're participating with a major ongoing project
22 with the World Bank to provide technical assistance and help
23 the LDCs to help them understand how to better negotiate in
24 the round what various trade agreements mean to them. So I
25 don't think it has to be on a bilateral basis that we provide

1 assistance.

2 And, frankly, I think if this is what you're getting
3 at, I think most countries might naturally be suspicious of
4 us providing them. It's like you and I will have a legal
5 dispute and I say, "Well, that's okay. You can use my
6 lawyer. I'll give you my time for free." Well, you can be a
7 little suspicious about that. So I do think you're right,
8 international organizations.

9 The major point I want to make here though is that
10 opening markets is good for importers as well as exporters.
11 And it doesn't give less developed countries anything that
12 helps their economy grow, by saying we'll allow them to
13 continue to be protectionists. That's not doing them a favor
14 and it's a fiction. And I think it's been a destructive
15 fiction that the WTO has had in place for many, many years
16 and it's now time to just drop that fiction. I think it's in
17 their interest to play by the rules.

18 USDA DEPUTY SECRETARY ROMINGER: I had a question
19 for the Date industry here as well. I wondered, focussing on
20 the EU and the problems there, that given the fact that the
21 Middle East and India consume a lot of Dates, have you taken
22 a look at that market and the possibilities of broadening
23 your exports?

24 MR. VANDERVOORT: Well, we certainly end up throwing
25 a few here and there. We just tend to be -- with our group,

1 it has to deal with the price and the quality issue as to why
2 it goes into Europe.

3 MR. TAFT: Well, as I briefly mentioned in my
4 presentation, we produce 15 percent of the world production,
5 but of what is actually harvested and packed, if you include,
6 you know, the way it grows in those countries that you
7 mentioned, we are probably less than five percent of the
8 world production.

9 And they certainly can produce it in their own
10 backyard much cheaper than we can here and then ship it to
11 them. Although, there is always a market for quality and we
12 have had some instances where we do ship into the countries
13 that you mentioned, because there's always somebody who wants
14 to pay a little bit more for something that is better
15 appealing to the eye and has a better taste.

16 USDA DEPUTY SECRETARY ROMINGER: Thank you.

17 CO-MODERATOR JONES: Anymore questions from our
18 negotiators?

19 Seeing none, thank you, panel, for your time.

20 USDA DEPUTY SECRETARY ROMINGER: Thanks, Roger, for
21 all your support.

22 CO-MODERATOR JONES: Okay. It's a pleasure for me
23 to have the opportunity. We have a special guest among us.
24 Lon Hatamiya is here with us this afternoon. He is the
25 Secretary of California's Trade and Commerce Agency. Mr.

1 Hatamiya is a farmer from Yuba County.

2 And before being appointed to Secretary of Commerce
3 and Trade in California, Mr. Hatamiya served as the
4 administrator of the USDA's Farm Foreign Ag Service with the
5 USDA.

6 Lon, we miss you in that capacity, I might add, but
7 welcome here this afternoon.

8 CA TRADE AND COMMERCE SECRETARY HATAMIYA: Sheldon,
9 thank you very much. And as I sit here, I feel like I should
10 be on the other side of this table.

11 (Laughter.)

12 CA TRADE AND COMMERCE SECRETARY HATAMIYA: And as
13 Sheldon has said, as a former administrator of the Foreign Ag
14 Service, I was deeply involved with trade negotiations with
15 all of you. And I'm here now in a different capacity. And I
16 wanted just to share a couple of general observations, if I
17 could.

18 First of all, let me thank my colleague Bill Lyons,
19 Secretary Lyons, and Director Sheldon Jones for hosting this
20 event in California. And let me welcome my former colleagues
21 to California, because it's really good to see you here and I
22 think it's an indication of the importance of California.

23 Let me begin by saying that also in my role as Trade
24 and Commerce Secretary, my responsibility has broadened
25 beyond just agriculture, and so I'm speaking on behalf of all

1 of California industry and business. And I just had the
2 opportunity just last week to testify before the USTR hearing
3 in Los Angeles to talk about general trade policy
4 considerations for the State of California.

5 And as Trade and Commerce Secretary, I think it's
6 also important to note that I have the responsibility as the
7 lead agency for economic development. I'm very pleased
8 you're here today, because Governor Davis just signed into
9 law a new budget that invests in our infrastructure and our
10 education and our economic development for the 21st Century.

11 And why is that so important to why you're here
12 today, it's because world markets are extremely important to
13 California. And again, let me begin by saying, for the State
14 of California further progress to lower tariffs, reduce
15 barriers and strengthen trade adherence mechanisms in areas
16 of services, intellectual property rights, entertainment, and
17 commerce and especially agriculture will markedly increase
18 our global competitiveness.

19 Now, why did I mention those four key areas? Those
20 are four areas that I know that you, as negotiators, will be
21 dealing with at the WTO and those are of primary importance
22 to California. And I wanted to highlight why California is
23 so important in this next round of the WTO.

24 As we sit here, we're the 7th largest if not the 6th
25 largest economy in the world. We're the largest and the most

1 dependent state in the union on exports and the global
2 marketplace. And that's why trade liberalization is so
3 important to this state.

4 And I wanted to highlight that. I know you're here
5 because of that reason, but I also wanted to let you know
6 that the Trade Commerce Agency working in conjunction with
7 the California Department of Food and Agriculture will be a
8 resource to you as you head into this next round of
9 negotiations.

10 California wants to be best represented. I think we
11 can take a lead in providing that kind of information. I
12 know the panel members that have been here already today have
13 provided tremendous information for you to take back to
14 Washington that you can take to Seattle later this year and
15 then to use in Geneva as we move forward into this next
16 round.

17 Let me also highlight the importance of agriculture
18 in the State of California. I don't think I need to do that
19 very well, because it's already been done quite well today.
20 But in the area of agriculture, issues important to seasonal
21 and perishable, or especially agricultural products, were
22 not fully addressed during the last round of multilateral
23 trade negotiations.

24 California desires that specific rules addressing
25 this area, such as enforcement of scientifically based

1 sanitary and phytosanitary issues, workable and timely
2 safeguard mechanisms, rapid dispute settlement resolutions,
3 open market access and elimination of tariff and non-tariff
4 barriers, to be part of the future trade discussions.

5 And, I think, I, better than anybody else,
6 understand the difficult task you have before you. That's
7 probably one of the reasons why I accepted the offer from
8 Governor Davis to return to California.

9 (Laughter.)

10 CA TRADE AND COMMERCE SECRETARY HATAMIYA: But I
11 know that you have a difficult task ahead of you. You've got
12 our full support to ensure that agriculture is at the front
13 burner of these issues.

14 One last comment that I'd like to make is that
15 agriculture not be traded off for other sectors. Agriculture
16 is far too important to this state's economy, to this
17 nation's economy and we want to ensure that trade
18 liberalization continues and open markets are accessible for
19 those producers in the State of California.

20 Thank you very much for giving me a brief
21 opportunity to discuss these issues with you today. And it's
22 good to see all of you from Washington and from California
23 and Arizona.

24 (Laughter.)

25 CO-MODERATOR JONES: Thank you, Lon. We appreciate

1 your comments. We're glad you could join us today.

2 CA TRADE AND COMMERCE SECRETARY HATAMIYA: Good.

3 You don't have any questions for me, do you?

4 AMBASSADOR BAAS: Why didn't you fix the problem
5 before you left, Lon?

6 (Laughter.)

7 CA TRADE AND COMMERCE SECRETARY HATAMIYA: That's a
8 good question, Mark.

9 (Laughter.)

10 CA TRADE AND COMMERCE SECRETARY HATAMIYA: I left it
11 in good hands in Washington, so we'll work with you, again,
12 as I mentioned in conjunction with Bill and others here in
13 California.

14 Thank you very much.

15 CO-MODERATOR LYONS: Maybe, just for record, for the
16 rest of the panel, Lon and I have shared an excellent
17 relationship and our two agencies have worked together on
18 trade issues and we look forward to working in the future on
19 those trade issues.

20 Thank you.

21 CA TRADE AND COMMERCE SECRETARY HATAMIYA: Let me
22 just add that it is a benefit in California that there are
23 two members of the Governor's Cabinet that understand
24 agricultural issues. And I think that bodes well hopefully
25 for our future trade opportunities into the 21st Century.

1 USDA DEPUTY SECRETARY ROMINGER: Lon, we miss you in
2 Washington D.C., but we're happy to work with you in your new
3 capacity.

4 CA TRADE AND COMMERCE SECRETARY HATAMIYA: Thank
5 you.

6 CO-MODERATOR JONES: Thank you, Lon. We appreciate
7 it.

8 Okay, we'll be taking a ten-minute break before our
9 next panel. If we can have everyone back here at about 25
10 till 3:00, 2:35.

11 Thank you.

12 (Thereupon a brief recess was taken.)

13 CO-MODERATOR JONES: Okay, welcome back. We're onto
14 Panel number 8. Gay Franklin, from Golden Valley is in the
15 first chair.

16 Take it away, Gay.

17 MS. FRANKLIN: Okay. Well, thank you very much for
18 this opportunity. My husband and I are growers, processors
19 and shippers of certified organic product and we live in
20 Gilroy, California. And, yes, I do ship garlic.

21 I have been directly involved with export for the
22 past 23 years. And I say that, because I don't want you to
23 think I'm naive about export, it's really difficult, no
24 doubt. I want to set the stage a bit by providing a
25 definition of what organic food is, because that's the

1 primary reason I'm here.

2 Organic food is grown and processed in accordance
3 with a set of standards evolved over the past 30 years, with
4 a lot of pain, I might add. Further, these standards are
5 reflected in the California State Organic Food Act of 1991,
6 since we don't have an implemented USDA Organic Food Act. We
7 have an Act, but we don't have an implemented rule.

8 Some of the materials prohibited for use in organic
9 production include methyl bromide and genetically engineered
10 crops. For further information, I want you to be very clear
11 on the fact that this is the fastest growing segment of the
12 food industry. Forecasts for growth in the organic food
13 industry have compelled companies like General Mills,
14 Smuckers, and Uncle Ben's, just to name a few national
15 brands, to begin certified organic projects. Some of you
16 may have seen some of the advertisements for an organic
17 cereal General Mills has out on the market currently.

18 Organic products are marketed internationally in,
19 what I would call, a parallel system. We sell the exact same
20 things that everybody else today here has spoken about. I
21 also need to add that we face all of the problems they have
22 already brought up into addition to a further set of
23 problems.

24 Finally, I want to -- I take it back, I just did
25 it. Hand notes after writing this four times.

1 So the real question for you and for this panel is
2 whether or not organic products, as a class, encounter
3 specific trade barriers. Absolutely. Diane Bowen will
4 discuss more specifically several barriers. But I want to
5 focus on the general area of -- and I'm just -- I'm losing my
6 place here, on the general area of standards.

7 First of all, there is no international standard for
8 organic definitions, laws, anyway for even the WTO to
9 evaluate whether or not there is an infraction or a trade
10 barrier or anything else. The EU does have a livable
11 standard and that standard, however, is open to
12 interpretation by each country member as well as being open
13 to interpretation by regions in those countries and finally
14 by the certification agencies that are involved with any
15 given transaction.

16 Therefore, when we're shipping, it means that the
17 rules can change by the mile and by the minute and they
18 literally do. If you ask your customer, what do I need to do
19 to ensure that my product can clear all of the necessary
20 requirements, their answer will literally change day to day.
21 This is an expensive and nebulous problem at the very least.

22 Further, when this is viewed in the entire context
23 of the world, Japan has no international law, Taiwan has no
24 international law. Some countries have fragmented laws which
25 is pretty much what the U.S. has. There are laws in progress

1 in all of those places but nothing is clear.

2 Because the WTO is eventually going to be dependent
3 on Codex, but it is also not there yet, I would ask that, at
4 this point in time, they make it, I'll ask for a priority, it
5 never hurts to ask, if they could make an interim tool by
6 which they could assess whether or not there are trade
7 barriers affecting specific organic transactions. I know
8 that this is certainly a lot to ask. But until such time as
9 you have some sort of tool, I can't see any sort of
10 assistance for California or any American shipper given the
11 problems that we currently have and we had one today.

12 So I'll hand it over to Diane.

13 CO-MODERATOR JONES: Thank you, Gay.

14 Ms. Bowen.

15 MS. BOWEN: I'm Diane Bowen. I'm Executive Director
16 with California Certified Organic Farmers and I thank you for
17 this opportunity.

18 Founded in 1973, CCOF was the first U.S. organic
19 certification organization. Today, our membership includes
20 over 900 organic growers, processors and handlers and we
21 represent a significant portion of the California organic
22 industry, whose total fresh and processed product sales we
23 estimate at nearly \$1 billion and growing at over 20 percent
24 annually.

25 The export market is a significant growth

1 opportunity and most frustrating challenge as you've just
2 heard. While demand for organic products in the Pacific Rim
3 and in Europe is exceedingly strong, serious problems loom
4 over trade of organic products to these regions. We ask you
5 to support the needs of our robust organic sector in the
6 upcoming round of the WTO negotiations.

7 And I'm going to cite two specific examples for your
8 consideration. The first is actually phytosanitary
9 requirements. Phytosanitary requirements in some countries,
10 Japan in particular, deny access to many U.S. organic fruits
11 and vegetable chemical fumigation requirements. For example,
12 negotiated U.S. trade agreements with other countries have
13 made organic products, such as apples and cherries,
14 completely ineligible for sale as organic products. So we're
15 asking you to open the dialogue at the WTO about the special
16 circumstances of organics in the SPS agreement.

17 Second, Gay mentioned a standard setting and
18 conformity assessment. And here, we just sense serious
19 protectionism and conflict of interest operating all in the
20 name of the EU Organic Regulation, a very uneven application
21 of the regulation in the EU member countries as Gay said.

22 Also, our organization and others have been burdened
23 with unfair paperwork requirements and abrupt demands by
24 authorized bodies in many of the EU countries.

25 And now, we're facing a new threat and we'd had

1 products stop to date. And the EU has imposed on third
2 country organic certifiers a June 30th deadline by which we
3 must provide third-party accreditation of our compliance with
4 ISO 65, the international certification body guidelines.

5 However, the EU has not provided us a feasible means
6 for demonstrating compliance to these guidelines and the USDA
7 is trying to do this for us, but it's not going to happen by
8 tomorrow.

9 So in the meantime, we're deluged daily by
10 communications from European importers and control bodies who
11 are demanding to know how we will meet this requirement.
12 And, as I say, we've had product stops to date, the deadline
13 is tomorrow.

14 We accredit the EU for establishing, you know,
15 harmonized organic standards and for wanting certification of
16 imported products by reputable third-country certification
17 bodies. But, as Gay said, there are no yet internationally
18 negotiated organic standards. And this ISO 65 conformity
19 assessment has not been historically applied by the organic
20 sector.

21 The WTO recognizes the potential for technical
22 barriers to trade to arise from standard setting and
23 conformity assessment. And it can be the symposium on this
24 topic on June 8th in Geneva. The organic sector was not
25 addressed. We feel that the WTO should include examples from

1 the organic sector in conferences and other exchanges on
2 standard setting and conformity, because this is very
3 important, central to organic agriculture and trade.

4 And so, in general, we ask you to work with the WTO
5 to ensure that standards and conformity guides are
6 implemented uniformly on a global basis for a particular
7 sector, such as organic.

8 So this is just a brief view on organic trade. And
9 we hope for future chances to broaden your view and to enlist
10 your support on behalf of our growing sector.

11 Thank you.

12 CO-MODERATOR JONES: Thank you, Ms. Bowen.

13 Dr. Kramer.

14 DR. KRAMER: I'm Thomas Kramer, Director of
15 Intellectual Property Protection, Regulatory Affairs of
16 Seminis Vegetable Seeds. Mr. Chairman, thank you for the
17 opportunity to appear today to present our company's views on
18 preparation for the upcoming multilateral trade negotiations
19 in the World Trade Organization.

20 Seminis is the world's largest vegetable seed
21 producer accounting for over 25 percent of the international
22 market for vegetable seeds of all species. There are 70
23 breeding and testing stations around the world. Seminis
24 markets its products in 110 countries.

25 I'm also testifying today on behalf of Bionova, a

1 life science and agricultural production holding company
2 engaged in applying genetic engineering to improve agronomic
3 and consumer quality traits of fruits and vegetables. An
4 important member of the Bionova family, DNA Plant Technology
5 Corporation is based in Oakland, California and is a leading
6 biotechnology company focused on using its proprietary
7 genetic engineering and plant sciences technologies to
8 develop and improve the quality and agronomic traits of
9 fruits and vegetables.

10 Several years ago, our company made a conscious key
11 decision to seek a global leadership position with respect to
12 agricultural biotechnology, particularly as it applies to
13 fruits and vegetables. The commercial potential of
14 biotechnology clearly was an important factor in this
15 decision. But our decision was also very much influenced by
16 a firm conviction that agriculture biotechnology has the
17 potential to produce enormous benefits for farmers and
18 consumers in industrial and developing countries alike.

19 Our company's Chairman often points out that seeds
20 are software. Through the activities of Seminis and DNA
21 Plant Technology, we are building software that will allow
22 farmers to grow high-value produce, contribute to
23 environmentally friendly farming and help address the
24 nutritional challenges of an expanding global population.

25 We've been gratified that so many U.S. senior

1 government officials have stressed the importance of
2 developing clear and transparent rules which will allow
3 agricultural biotechnology to achieve its full potential.
4 And we are grateful for this emphasis in U.S. trade policy.

5 Indeed, we have numerous examples to persuade us
6 that the current lack of an international consensus on trade
7 and genetically modified products needs to be addressed on an
8 urgent basis.

9 Deep divisions on these questions were apparent in
10 Cartagena this last February in the context of negotiations
11 for an international biosafety protocol. We are deeply
12 concerned about the European Union's cumbersome procedures
13 for approving the commercialization of genetically modified
14 agricultural products and by the moves of some EU countries
15 to require restrictive and potentially misleading labeling.
16 And we are seeing indications that Japan, Korea, Mexico,
17 Australia and many other countries may be developing
18 regulatory structures, which could hinder trade and the
19 products of agricultural biotechnology.

20 In the light of these developments, we believe
21 strongly that the upcoming round of negotiations in the World
22 Trade Organization presents a unique opportunity, one that
23 must not be missed, to foster the development of a binding
24 framework of rules, which will achieve the proper balance
25 between legitimate regulatory oversight on one hand and the

1 need for transparent and open trade rules on the other.

2 Ultimately, the upcoming WTO negotiations need to
3 achieve a consensus that the principles of science and
4 scientific review must be the sole basis for regulating
5 market approval and cost prohibitive trade in the products of
6 modern agricultural biotechnologies.

7 In our view, the WTO is uniquely positioned to
8 develop the rules which ensure that genetically modified
9 agriculture and food products are not subject to
10 discriminatory treatment by virtue of the means by which they
11 are produced.

12 Turning to another aspect of the WTO negotiations, I
13 want to stress our company's keen interest in intellectual
14 property protection guide elements in the new trade round.
15 The TRIPS agreement was a major accomplishment of the Uruguay
16 Round, but the rapid base of technological change imposes a
17 need to ensure that this global framework remains as
18 comprehensive as possible.

19 The ability of companies, like Seminis and DNA Plant
20 Technology to develop innovative and beneficial new products
21 depend enormously on the degree to which those innovations
22 will be subject to vigorous legal protection.

23 Before closing, it's important to mention that we
24 recognize that the high degree of emotion surrounding
25 agricultural biotechnology issues, particularly in the EU,

1 but also in many developing countries, increases the
2 challenge of forming a WTO consensus in favor of transparent,
3 science-based regulations, which will foster open trade in
4 these products. In that regard, our company, and others in
5 our industry as well, recognize that we have an important
6 role to play in persuading the public of the environmental,
7 nutritional and economic benefits of agricultural
8 biotechnology.

9 It is critically important for these industry led
10 efforts to complement the activities of the U.S. trade
11 negotiators particularly in the context of the upcoming WTO
12 talks.

13 Mr. Chairman, I want to thank you, again, for the
14 opportunity to appear today. Seminis Vegetable Seeds and DNA
15 Plant Technology would like to emphasize that we are
16 available to work with you and your colleagues as you begin
17 to develop more detailed policy positions in each of these
18 complex areas, both prior to the launch of the new trade
19 round in Seattle and during the negotiating process that will
20 follow.

21 Please feel free to call on us any time.

22 CO-MODERATOR JONES: Thank you, Dr. Kramer.

23 Dave --

24 MS. FRANKLIN: Letourneau.

25 CO-MODERATOR JONES: Letourneau, thank you.

1 MR. LETOURNEAU: Yes. I'm David Letourneau owner
2 and manager of Broken Branch Ranch and chairman of the
3 Government Affairs Committee and member of the board of
4 directors for the California Certified Organic Farmers and I
5 want to thank you for this opportunity.

6 I would like to direct my comments specifically to
7 the issues regarding genetic engineering and genetically
8 modified organisms, the actual dangers of genetic engineering
9 to the integrity of organic production and the effects on
10 human health and the environment, the inadequacies of our
11 governmental regulatory agencies and the resulting problems
12 with international trade. By genetic engineering, I mean the
13 altering of the genetic code by recombinant DNA techniques.

14 Last year, we had contamination of certified organic
15 corn by the pollen from corn that had been genetically
16 altered with *Bacillus thurengiensis* toxin. Last month, we
17 had evidence presented by Cornell University of a 44 percent
18 mortality rate of the Monarch butterfly caterpillar that had
19 ingested pollen from the Bt altered corn.

20 This spring a genetically contaminated soybean seed
21 was sold to unsuspecting organic farmers. Research in
22 Scotland shows that rats fed genetically altered potatoes
23 developed atrophied livers, shrunken brains and swollen
24 testicles as compared to rats fed normal potatoes who
25 developed none of these symptoms.

1 Research in the U.S. shows that cows injected with
2 the recombinant Bovine Growth Hormone have increased levels
3 of insulin like growth factor number 1. These increased
4 levels have been shown to cause prostate cancer in men and
5 breast cancer in women. It is unknown what the effects are
6 on the unborn babies and prepubescent children.

7 The USDA jointly owns the patent for the Terminator
8 seed with the Delta and Pine Land Company, a wholly owned
9 subsidiary of Monsanto. Thus, has the USDA become not only
10 the regulator of and promoter for, but partners with these
11 biotech companies.

12 The EPA requires Bt genetically altered crops to be
13 registered as pesticides, while the FDA allows them to be
14 sold as food. Now, the U.S. Trade Representative and the
15 World Trade Organization are trying to force the other
16 countries of the world to accept this flawed technology.

17 The power of the consumer will ultimately prove
18 stronger than that of the multi-national corporations, U.S.
19 regulatory agencies, trade representatives and treaties. If
20 European, Japanese and American consumers reject hormone
21 treated beef and genetically manipulated food, then all the
22 trade representatives, regulatory agencies and treaties in
23 the world are not going to matter.

24 However, this should not be a battle between the
25 people and its representatives. We are here to ask for your

1 help. We want an end to this unregulated and potentially
2 disastrous technology. We want to change the direction. We
3 no longer want to be the guinea pigs for inadequately tested
4 and unregulated bad science for the benefit of big business.

5 CCOF is opposed to the continued release of
6 genetically modified organisms into the environment by
7 experimentation in open fields and in commercial
8 application. CCOF insists on the labeling of all products of
9 genetic engineering so we can all exercise our free choice.
10 This is the true meaning of transparency. And instead of
11 risk assessment, we are calling for the application of a
12 precautionary principle, which demands that no action be
13 taken until you can prove no harm.

14 Thank you.

15 CO-MODERATOR JONES: Mr. Tillison.

16 MR. TILLISON: Thank you, Mr. Jones. My name is Jim
17 Tillison and I'm the executive vice-president of the Alliance
18 of Western Milk Producers. The member cooperatives of the
19 Alliance of Western Milk Producers are owned by producer
20 owners who produce half of the \$4 billion dairy industry in
21 California.

22 On May 18th, the Board of Directors of the Alliance
23 of Western Milk Producers voted unanimously to support the
24 following resolution regarding the WTO trade negotiation
25 rounds scheduled to begin later this year.

1 The United States dairy industry has the ability to
2 compete in the marketplace with any dairy industry in the
3 world. However, export subsidies, import quotas and tariffs
4 and State trading enterprises have greatly inhibited the
5 ability of the U.S. dairy industry to fairly compete for the
6 world markets.

7 Therefore, the member organizations of the Alliance
8 of Western Milk Producers urges the United States agriculture
9 World Trade negotiators to predicate free trade on fair
10 trade. That is access to the United States marketplace
11 should be in direct relationship to access in exporting
12 foreign markets. Tariff rates on dairy product imports into
13 the United States should be based on the exporting country's
14 level of direct and indirect government subsidies used in
15 marketing its dairy products worldwide.

16 The member organizations of the Alliance of Western
17 Milk Producers also supports elevating the jurisdictional
18 status of the House Agriculture Committee to the same level
19 as the House Ways and Means Committee to review and approve
20 the activities of the United States Trade Ambassador's Office
21 as they relate to agriculture prior to or in conjunction with
22 congressional approval of Fast Track authority.

23 Free trade is not fair trade. That is why the
24 Alliance believes that access to the United States'
25 marketplace should be in direct relationship to access to

1 foreign markets. The members of the Alliance were quite
2 disturbed when the United States Department of Agriculture
3 announced that the rollover of unused dairy export incentive
4 program tonnage could not be sold in the Asian markets to
5 protect, what USDA called, traditional market relationships.

6 The Alliance believes it is a dangerous precedent to
7 block the sale of U.S. dairy products to certain parts of the
8 world because it is someone else's market. Last year, the
9 U.S. sold about \$40 million of dairy products into Asia,
10 traditionally New Zealand's and Australia's market.

11 By comparison, New Zealand sold \$250 million worth
12 of dairy products into the United States, arguably our
13 market. Our approach to fair trade would mean we would have
14 equal access to traditional markets. Recently, the European
15 Union announced it was going to delay implementation of
16 relatively minor export reforms until 2005.

17 It is evident to the Alliance that the U.S.'s goal
18 of getting rid of export subsidies in the next round would be
19 extremely difficult to achieve in a timely manner.
20 Therefore, the Alliance believes that there must be an
21 incentive for exporters to get rid of subsidies.

22 Our suggestion is to tie tariffs on dairy products
23 coming into the United States for the subsidy rate being used
24 by the exporting country as it sells its products in the
25 world marketplace.

1 For example, the EU's direct or indirect subsidy
2 rate on cheese sold in the world marketplace would determine
3 the tariff level on any EU cheese coming into the U.S. There
4 is one thing the United States does better than anyone else
5 in the world and that is produce food.

6 In addition, the United States is the premier market
7 in the world for food, because of the level of income our
8 citizens have available to buy food. The Alliance believes
9 too often agriculture, and in particular dairy, has been a
10 give-up item in order to achieve trade objectives not related
11 to agriculture. That is why the Alliance has spoken in
12 support of the House Agriculture Committee having some
13 jurisdiction -- having the same jurisdictional status as the
14 House Ways and Means Committee to review and approve the
15 activities of the USTR as they relate to Agriculture.

16 I appreciate the opportunity to talk with you
17 regarding our concerns and to offer possible approaches to
18 open world markets to U.S. dairy products.

19 Thank you very much.

20 CO-MODERATOR JONES: Thank you, Mr. Tillison.

21 Any questions from our negotiating panel of our
22 panel?

23 Deputy Secretary.

24 USDA DEPUTY SECRETARY ROMINGER: I appreciate all of
25 the comments on organic production from this panel. It's

1 certainly something that we're going to be working on at
2 USDA. Lon Hatamiya when he was -- before he was
3 administrator of the Foreign Agricultural Service, he was the
4 administrator of the Agricultural Marketing Service. And he
5 got us started on implementing federal legislation.

6 We're getting closer, but we're still a little ways
7 away. But we will have some federal organic standards here.
8 Hopefully, that rule will be out by the end of the year. So
9 with your help, maybe we'll get it right this time.

10 I wanted to ask -- certainly, we agree that Codex
11 can be of some help in the interim here, since we don't have
12 international standards. From what we've been hearing, I
13 think they were waiting to see what we would come up with in
14 the U.S. before they move too far down the road with the
15 Codex standards. So we hope that we can all work together
16 and make some headway in that area.

17 Jim, did you want to comment on that ISO 65 or
18 what's happening there or anything?

19 I think we're pretty close there. I thought we were
20 going to make it by June 30th but maybe not.

21 MS. FRANKLIN: Can I make one comment about what you
22 just said. The rate of speed at which we achieve these
23 things is of concern to me, because of the study the USDA
24 itself put out, which is that 94 percent of American farms
25 net less than \$23,000 a year.

1 Two days later my next door neighbor, who farms over
2 100 acres of organic cherries, which he can't ship to Japan,
3 came in and said, "Kay, I only made \$22,500 last year," when
4 he finished his taxes. And these are people who've already
5 converted to organic. But the point is is that many of these
6 farms are converting to organic, because they're looking for
7 that premium, for that help, for the ability to stay farming.
8 And that's why I feel there's a real urgency.

9 USDA DEPUTY SECRETARY ROMINGER: Okay. Well, we
10 hear you, but we're trying to get it right this time.

11 MS. FRANKLIN: Yeah, we hope so. We hope you do
12 too.

13 CO-MODERATOR JONES: Anymore questions from our
14 negotiators?

15 Yes, Dr. Murphy.

16 ASSISTANT U.S. TRADE REPRESENTATIVE MURPHY: One
17 question related to the issue of being disqualified in Japan,
18 because you -- I guess there are certain requirements that
19 you fumigate certain fruits, vegetables which then deny
20 issuability to be designated as organic. Are there ways to
21 accomplish this same objective, that is looking at the
22 Japanese point of view, owning a pest-free import?

23 Are there ways that could be used? Has there been
24 an attempt to talk to the Japanese authorities to say well,
25 here's an alternative way that does it just as well, and is

1 there evidence to put on the table to make that case?

2 MS. BOWEN: Well, it's difficult for us, as a
3 relatively small nonprofit organization, to hold those
4 negotiations with Japan. However, there are some promising
5 technologies that would qualify for acceptance under organic
6 handling practices. One of the promising technologies is
7 ozonation. And I know that a number of our producers and
8 exporters are looking at this.

9 I think that there is a role for the, you know,
10 USDA, the agricultural research service and possibly, you
11 know, at the WTO that, you know, for there to be dialogue on
12 these kinds of technologies and sharing of information on
13 technologies that are up and coming and maybe more
14 environmentally benign and acceptable in organic standards.
15 So that's maybe just a message for USDA too, we really would
16 appreciate priority placed on some of the organic handling
17 issues within the research service.

18 USDA DEPUTY SECRETARY ROMINGER: Well, that's a good
19 point and we certainly are putting a lot more effort than we
20 did before into looking for alternatives for treatments such
21 as methyl bromide. And Japan is a member of the Montreal
22 Protocol, so they know what's coming down the line as far as
23 that use for treatment. So we are looking for non-chemical
24 treatment methods that would solve the problems.

25 MS. BOWEN: But we are -- the organic industry is

1 just as dedicated to a safe food system obviously as other
2 agricultural sectors. You know, certainly no farmer or
3 processor wants to have his product either making people sick
4 or, you know, possibly introducing pests into other
5 countries, that may wreak havoc on their agriculture. So
6 we're dedicated to, you know, fulfilling the requirements,
7 but we would ask that there be, you know, broad examination
8 of methods by which we may fulfill them.

9 CO-MODERATOR JONES: Mr. Ambassador -- oh, sorry,
10 Deputy Secretary.

11 USDA DEPUTY SECRETARY ROMINGER: I wanted to ask Dr.
12 Kramer a question on biotechnology. Given what we're seeing
13 in the European Union about the resistance to the technology,
14 it seems to me that perhaps one of the reasons that we see
15 that resistance is because those consumers don't see enough
16 benefit to them as a consumer. Because certainly they have
17 accepted biotech pharmaceuticals, because they see the direct
18 benefit.

19 So I'm wondering how long you think it will be
20 before we see biotechnology food products coming along where
21 the consumer will see a direct benefit, whether it's a food
22 that reduces cholesterol or reduces blood pressure, prevents
23 diabetes, how long do you think it will be before we see
24 those kind of products?

25 DR. KRAMER: Well, we are working on various

1 research projects, because I myself realize, coming from
2 Europe and working only temporarily in the United States, I'm
3 very much aware of the issues that are important in Europe.
4 And in my opinion, a breakthrough can hardly be expected in
5 the acceptance of biotechnology until the science has
6 developed so far that a significant consumer benefit can be
7 contributed through various delivering systems using genetic
8 modification techniques.

9 Now, the question you are asking, how long is this
10 going to take? I mean that's a difficult question, because
11 really most of the traits that are available at the moment
12 are more agronomic traits, which to the consumer do not bring
13 additional benefits at this moment. Maybe, to a certain
14 degree, elimination of pesticides, but that would be an
15 indirect benefit.

16 My current thinking is that it might take as much as
17 maybe five years before we see some real breakthrough in
18 coming, available certain traits that really have consumer
19 benefits. Then taking the regulatory requirements which take
20 easily up to two years, we might be easily seven, eight years
21 down the road from today.

22 USDA DEPUTY SECRETARY ROMINGER: Thank you.

23 CO-MODERATOR JONES: Mr. Ambassador.

24 AMBASSADOR BAAS: Yeah, I sort of hesitate to raise
25 this. I just wanted to make a comment on Mr. Letourneau's

1 statement. And there's a lot of passion and a lot of
2 misinformation perhaps or not fully formed information that
3 goes around on biotechnology. And I think two of the
4 examples you give in your statement, may, in fact, turn out
5 to be true, but I think the evidence is not in yet.

6 One is the Monarch butterfly example, which was, as
7 I understand it, done via a letter to Nature Magazine not
8 done after tests in the field. Of course, Bt toxin kills
9 butterflies. It's developed to kill that kind of, I don't
10 know the scientific name. And there is some evidence from
11 people who know more about these things, that they feed on
12 milkweed, which isn't very close to corn and pollen falls and
13 so on.

14 Now, my only point here is, I think we need some
15 more tests in the field to find out, in fact, what the effect
16 is on butterflies. And, also, I would point out that the
17 tests in Scotland on potatoes was subsequently disavowed by
18 the organization that employed the man or the scientist who
19 did it.

20 Now, again, I don't want to enter into a debate with
21 you, both tests may eventually prove to be the truth. My
22 only point, is that I think where we are now, they are not
23 yet shown to be the truth. And I think we have serious
24 issues that need to be considered and studied further. And I
25 just wanted to get that on the record, Mr. Chairman.

1 MR. LETOURNEAU: If I could comment for a minute on
2 that. It is true the Monarch butterfly was a laboratory
3 test. It is also true that milkweed grows in disturbed soils
4 as seasonal agricultural soils that have been disturbed. So
5 the likelihood of them appearing near corn fields is actually
6 quite substantial.

7 The scientist who did the research in Scotland was
8 discredited by the Institute. However, there was testimony
9 from 20 additional scientists afterwards that said that
10 his -- that said that his research was, indeed, valid. And
11 so there are some questions as to the motivation behind the
12 attempts to discredit his study.

13 So, again, but the real point here is why are these
14 coming out now, why shouldn't these studies have been done
15 before these were released? In effect, the environment and
16 the population, the human population of that area eating
17 these genetically manipulated organisms, are the guinea pigs.
18 The only thing that I'm suggesting -- I'm not saying that
19 this is all bad. What I'm saying is that these -- it was
20 premature market release that led to this. And the
21 consequences are unknown at this point.

22 And I think that the fact that we did not have
23 long-term studies done on this is partly, I lay at, the
24 regulatory agencies and the responsibility of that and also
25 the intense competition that is happening within the biotech.

1 And both the lack of regulatory oversight and this
2 competitive atmosphere has not taken the human population and
3 the environment into consideration. That is my main point
4 here.

5 CO-MODERATOR JONES: Any other questions from the
6 negotiators?

7 CO-MODERATOR LYONS: I've just got a couple quick
8 comments. One is when it comes to the organics, CDFA is, I
9 think, beginning to establish a good relationship. I know
10 that some time in the future, I'm going to be over on the
11 coast to look at some organic farms and agriculture.

12 One of the other things I want to bring up, and this
13 is maybe a heads up for some of the negotiating team, when
14 Jim brought up the issue about milk out of New Zealand, it
15 all of a sudden reminded me of an issue that Secretary Sue
16 Combs is probably going to bring up when you're in Texas and
17 that's on a similar vein. When it comes to the importation
18 of lamb where she brought up the fact that, and I hope these
19 numbers are close, they're not exact, let's say close, that
20 New Zealand had imported into the United States, I think,
21 over \$200 million worth of Mutton and that we had exported
22 \$5,000 of Mutton back to New Zealand. So I think that, in a
23 sense, even though it's not milk, Jim, it's the same type of
24 issue that we have to deal with.

25 That was just kind of a heads up. Sometimes I have

1 problems remembering things, and so I thought I'd bring that
2 up. I know I'll be much softer when those Texans are up
3 here.

4 USDA DEPUTY SECRETARY ROMINGER: Or the Montana
5 sheep growers.

6 AMBASSADOR BAAS: Just a comment then, if I might.
7 We ought to have fair trade, but if we are going to expect
8 that we're going to always send as much milk to New Zealand
9 as they send to us or as much, you know, Mutton to them as
10 they send to us or at least Europe sends as much beef to us
11 as we send to them, I mean it's crazy. So we've got to be a
12 little careful how far we go.

13 CO-MODERATOR LYONS: We'd have to send more people.

14 AMBASSADOR BAAS: I mean New Zealand has got three
15 million people and 60 million sheep and we don't have
16 anything like that.

17 (Laughter.)

18 MR. TILLISON: If I could just comment on that?

19 CO-MODERATOR LYONS: Let me just finish with Mark
20 for just a second. And I understand that, I just know that
21 those three million people will eat more than \$5,000 worth of
22 U.S. Mutton.

23 MR. TILLISON: Well, if I could just comment on it
24 specifically regarding milk. Obviously, we don't expect to
25 export the same amount of dairy products to New Zealand. My

1 point was is that New Zealand and Australia both come to the
2 United States and lobby our Department of Agriculture and our
3 Congress very heavily, saying Asia is our market, that's our
4 traditional market. We'll, I'm sorry, this is our
5 traditional market. And fair trade doesn't mean exact
6 trading even with the country as much as equal access to
7 areas, that's what I was talking about.

8 AMBASSADOR BAAS: I don't disagree at all.

9 MR. TILLISON: Thank you.

10 CO-MODERATOR JONES: Very good. Anymore questions
11 from our negotiators?

12 Panel, thank you very much.

13 Before the next panel comes up, Secretary Lyons has
14 an introduction he'd like to make.

15 CO-MODERATOR LYON: Yes. We have an Assemblyman in
16 the audience, Mike Briggs. Mike, I'd like to have you come
17 up just briefly. Mike is from the 29th Assembly District in
18 the Fresno area. Fresno is heavily involved in agriculture
19 in Fresno County. And, Mike, if you'd like to make a comment
20 or two before the next panel.

21 ASSEMBLYMAN BRIGGS: Thank you very much. I'll be
22 very brief. Fresno County and the ancillary county areas
23 that I represent are, what I call, the number one and number
24 two ag counties in the nation. And I just want to bring a
25 message and you -- I heard parts of it in the previous panel.

1 I'm sure you've been hearing it all day. We are for
2 expanding our markets, Fresno County and Tulare County. We
3 want to expand our markets.

4 At the same time, we understand when we expand our
5 markets into other countries, that other countries want to
6 expand their markets into our country and that we
7 understand. But when we begin having this trade and bringing
8 in products from other countries, you know, there are some
9 problems that develop. And we are very concerned in our
10 valley with pests and diseases and vectors and problems that
11 arise from imported products.

12 And we just want to be certain that our government
13 has the opportunity to visit other countries or to help us
14 ensure that we're not imparting fruit flies, for example, or
15 citrus viruses or things that could really devastate our
16 valley and the way our valley is shaped and very well
17 contained.

18 You know one find of one impregnator fruit fly in
19 our valley could really devastate our entire economy. So
20 just as we proceed with this international trade and opening
21 up markets for one group -- one country to another, we know
22 the restrictions other countries have put on us when we try
23 to export. And I'm not calling for more restrictions, but
24 just a certain amount of assurance that everything is being
25 done on the part of our federal government to ensure that

1 we're well protected.

2 And I know this is more of an international
3 discussion, but I just encourage our federal government to
4 give us the resources sorely needed at our borders and
5 inspection stations and airports as markets are open, so we
6 can ensure against unwanted vectors.

7 But we certainly appreciate that you have come here
8 to California and that you're holding this hearing right here
9 in Sacramento and that I have the opportunity to say a few
10 words.

11 Thank you very much. Most of you I've seen in the
12 City of Orange Cove.

13 Thank you.

14 USDA DEPUTY SECRETARY ROMINGER: Thank you for your
15 comments. I appreciate those. And we agree with you that we
16 want to open more markets, increase our exports, but trade is
17 a two-way street. But we also have at USDA a heavy
18 responsibility to keep those pests and diseases out of the
19 United States. And so we do some very thorough and
20 scientific risk assessments to make sure that we are
21 protecting U.S. industries and we'll keep that up.

22 ASSEMBLYMAN BRIGGS: Thank you.

23 CO-MODERATOR JONES: Thank you.

24 Panel number 9, Tracy Hayward, Robert Neenan, I
25 believe Nancy Thomas Price.

1 Okay, Ms. Hayward, whenever you're ready.

2 MS. HAYWARD: Good afternoon. Well, last but not
3 least, may the last panel be the best, the one that you
4 remember, right.

5 (Laughter.)

6 MS. HAYWARD: I'm just delighted to be here this
7 afternoon, because I represent myself. I am an entrepreneur.
8 Yes, one of those entrepreneurs in business. I started my
9 company 12 years ago and I will be breaking \$3 million in
10 sales. And our company, my company, Hayward Enterprises, we
11 process purees, 35 different berries, fruits and vegetables
12 under the trade name, The Perfect Puree of Napa Valley.

13 We buy commodities coming in by the container load.
14 I have to tell you that I'm still selling them by the palette
15 load. We have yet to be working in the kind of large tray
16 that you've been discussing so much today. But I wanted to
17 take this day to come over from the Napa Valley and to let
18 you know where we have a problem just selling right here in
19 the United States.

20 I just want to back up for just a moment and just
21 tell you a little bit more about what purees are. We take
22 berries, fruits and vegetables and process them taking the
23 seeds, skins and making them into a puree, freezing them and
24 they are used in food service all over the United States. We
25 now sell in Canada and in Mexico. And our purees are used by

1 chefs to make sauces, soups, souffles, sorbets, vinaigrettes,
2 pastry items, you name it. And purees are the basis of most
3 cooking preparations in the food service market.

4 I saw the niche and I've been working for the last
5 12 years to fill that niche. That niche in the United States
6 was started by the French, wouldn't you know it. Those
7 little culinary geniuses that they are. And they have been
8 importing purees by the container loads for the last 15, 20
9 years into this country.

10 So for the last 12, I've been growing up knee high
11 to a grasshopper and now I'm effectively being able to
12 compete with them in almost every market across the United
13 States, except in certain areas, particularly along the east
14 coast where they're coming in by the container loads. And
15 their prices are way out of line by comparison to what we're
16 able to sell it for.

17 When we had distributors that were trying to pitch
18 to get into New York, and I have yet to say that I've
19 concurred New York, Chicago, that's the entrepreneur
20 mentality here. And it is really discouraging when I have
21 distributors that say, "I'm sorry, you've got to come down in
22 your prices," because the delivered price of this French
23 competitor import is effectively anywhere from 35 cents to
24 \$1.50 to almost \$2 less than our FOB price, Los Angeles.
25 Now, how is that?

1 And we have been doing some surreptitious study.
2 And I was able to even secure a price list, is that off the
3 record, and have been able to compare our prices to the
4 French competitors, one in particular, and to see where do we
5 stand. Now, in order for us now to compete in the New York
6 market against any of these puree imports, we have to absorb
7 the freight all the way across the country.

8 Now, we work very hard to try and get very effective
9 freight prices. And we do, but we still are absorbing up to
10 anywhere from a dollar to a dollar fifty a pound in order to
11 compete all along the eastern seaboard.

12 Additionally, we've gotten telephone calls from time
13 to time from a prospective customer looking to try and find
14 Mango. And I just want you to take a focus, this Alphonso
15 Mango that comes out of India is sold to the Europeans, who
16 process it into their frozen kilos and then resell it to the
17 United States. And they are still effectively \$1.80 less
18 than we are. How does that happen?

19 We have found Mango that is coming into the United
20 States and we're getting telephone calls saying we're looking
21 for more Mango puree, whether they're processing sorbets or
22 they're making other dessert products, and they want to try
23 and match their puree that they've already been buying from
24 the French. And they're buying it for 76 cents a pound. I'm
25 buying it for 76 cents a pound. How can they get into this

1 country like this?

2 And this is where I'm wondering is it dumping, is it
3 because of subsidies? I'm here to ask the questions. I
4 don't know, but I'm finding that it's very tough to compete
5 even in my country against the French imports.

6 Now, I want to say, very effectively though, that
7 the French are very good at what they do. They've made me be
8 even better at what I do. And I don't mind the competition,
9 because I've had to look to them to match and/or surpass
10 their quality and to be able to effectively provide something
11 better in the way of packaging and to deliver a well marketed
12 product that is now being requested by hand.

13 But I wanted to just bring your focus to the idea of
14 process purees when you go into your negotiations. And I
15 appreciate your time.

16 CO-MODERATOR JONES: Thank you.

17 Mr. Neenan.

18 MR. NEENAN: Good afternoon. Is this on?

19 CO-MODERATOR LYONS: It's on now.

20 MR. NEENAN: Good afternoon. My name is Rob Neenan.
21 I'm director of Technical and Transportation Services at the
22 California Grape and Tree Fruit League. I'd like to thank
23 you for the opportunity to appear today to discuss an issue
24 that is of considerable importance to our industry and one
25 that we think should be a major priority of the U.S.

1 negotiators in the upcoming Seattle Ministerial negotiations,
2 and that is maintaining the integrity and the enforcement of
3 the sanitary and phytosanitary agreement.

4 To illustrate the importance of the current SPS
5 agreement, I would like to provide an example of how
6 problematic it can be to deal with countries not bound by WTO
7 rules. The example I will use is Taiwan, a country seeking
8 membership in the World Trade Organization, but is currently
9 operating outside WTO rules and procedures.

10 As you may know, in early March, the Government of
11 Taiwan announced that it would begin enforcing its own
12 chemical residue standards. As of July 1, two days from
13 today, Taiwan may begin enforcing new and restrictive
14 chemical residue regulations on imported fresh fruits and
15 vegetables.

16 While it is certainly within a country's right to
17 protect the health of its citizens, a number of Taiwan's
18 actions appear to be arbitrary and are likely to be extremely
19 restrictive and constitute violations of the WTO SPS
20 agreement.

21 First, Taiwan has stated that it has its own
22 chemical residue standards. These standards are frequently
23 stricter than international Codex levels. In some cases,
24 Taiwan has outright bans on chemicals that have acceptable
25 tolerances in the Codex. As you may know, countries in the

1 WTO are indeed allowed to have maximum residue levels that
2 diverge from Codex levels.

3 In fact, U.S. standards sometime differ from Codex,
4 but in this case and other countries must always provide
5 scientific evidence to justify any diversions from Codex. To
6 our knowledge, Taiwan has not offered any such evidence.

7 Second, it's our perception that Taiwan's actions
8 have a trade-restrictive nature. The SPS agreement
9 establishes national treatment standards and imported
10 products must be treated the same as domestic products.
11 Again, Taiwan's actions are not consistent with the WTO
12 rules. Taiwan has claimed that it will test one in 20
13 shipments coming into Taiwan, but it has not said if it will
14 test domestic food shipments at the same rate.

15 When countries are allowed to hold foreign
16 commodities to a different standard than domestic
17 commodities, it opens the door for protectionism through
18 non-tariff barriers. The SPS agreement was created so that
19 such barriers would be eliminated.

20 Finally, although Taiwan initially gave notice that
21 it was planning to change its chemical residue policy as the
22 SPS agreement requires, it has made a number of subsequent
23 decisions that have affected produce that is currently en
24 route to Taiwan.

25 Most notably at our WTO meeting in Geneva in May,

1 Taiwan made a verbal agreement with the U.S. that it would
2 delay the implementation of its new chemical residue testing
3 until January 1, 2000, because of concerns that the standards
4 would hinder trade. However, on June 16th, just a few days
5 ago, to the surprise of U.S. officials, Taiwan announced that
6 it would go ahead and implement its new standards on July 1.

7 This gave the world exactly 15 days to prepare for
8 such major changes. As it currently stands, dozens of ocean
9 shipping containers of California food are currently on the
10 water headed for Taiwan and may have to be rejected or
11 destroyed on arrival if they do not meet the new standards.

12 As I stated earlier, maintaining a strong SPS
13 agreement and ensuring that the SPS rules are followed should
14 be a top priority during the Seattle round. Actions outside
15 these rules, such as those taken by Taiwan over the last few
16 months, demonstrate the harmful effects of a weakened
17 agreement.

18 The SPS agreement must be protected in upcoming
19 Seattle round negotiations. Further, Taiwan's accession into
20 the WTO must be prohibited until their restrictive chemical
21 residue regime is brought in line with international
22 standards and until their government can demonstrate its
23 ability to operate within the established rules of
24 international trade.

25 In conclusion, I know you heard about this issue

1 earlier today, but we wanted to emphasize the importance of
2 it, because it potentially affects millions of dollars of
3 California trade.

4 So I'd like to thank you very much for your
5 consideration of our comments.

6 CO-MODERATOR JONES: Thank you, Mr. Neenan.
7 Ms. Thomas-Price.

8 MS. THOMPSON-PRICE: Yes, my name is Nancy
9 Thompson-Price. I'm going to make some rather general
10 comments. I was only notified at about 1:30 today that I was
11 on the panel, for which I'm very grateful. But I was up in
12 the Mendocino coast at 3:30 this morning driving down to the
13 San Francisco airport and then returning to Davis where I
14 was napping when I was called.

15 So I'm Nancy Thompson-Price. I am the vice co-chair
16 of the Alliance For Democracy, a membership based, chapter
17 based national organization with headquarters in Waltham,
18 Massachusetts. I am also the Davis, California chapter chair
19 and I am the project director for the Food Safety, Food
20 Security Action Campaign of the Alliance For Democracy.

21 What I've been doing for the last two weeks and what
22 took me to Mendocino was visiting our chapters in California
23 and Oregon to discuss with them what our campaign stance
24 should be on the WTO and agriculture. I began in Los Angeles
25 and attended the WTO hearings there, where a member of our

1 group spoke and gave testimony. And I was in Seattle working
2 with the host committee there on ways that we can provide the
3 citizens a voice in the WTO meetings there in late November.

4 As the concluding panelist, I guess, I would like to
5 bring to the table a request that your panel look at certain
6 overriding principles. I think that the general public can,
7 to some degree, grasp the specific details of the various
8 sector agreements being proposed and presented. But the
9 people that I've spoken to on this trip can certainly grasp
10 the issues of sovereignty and democracy and the precautionary
11 principle.

12 So I would strongly urge you that in considering any
13 of the SPS agreement that you examine carefully maintaining a
14 very strong commitment to the precautionary principle. I am
15 not certain, I haven't read enough about the agricultural
16 proposals to feel that I can speak with authority on that
17 sector. But I can when it comes to the forest and wood
18 products proposals, which is very well written, practically
19 complete, and would like to see the precautionary principle
20 abandoned.

21 I think in the statements made earlier about Bovine
22 growth hormone in the European Union, the Monarch butterfly,
23 the potato, that the controversy over the science, the
24 product, the benefits to the public should make clear, even
25 in these few examples, we can also look at bovine growth

1 hormone in milk, that we cannot do away with the
2 precautionary principle. We need to safeguard public health
3 and we need to err on the side of caution in all of these
4 matters and not have corporate pressure for profits and for
5 competitiveness urge us in the opposite direction. So I
6 would like you to safeguard us by safeguarding that
7 principle.

8 Second of all, I'd like to speak to the issue of
9 sovereignty and democracy. The issue of fair trade is sort
10 of a mantra. But fair trade, as it's being constructed,
11 particularly with the dispute mechanism involved at the
12 moment with the international tribunal, does not lead, in my
13 view and the view of our organization, to a fair hearing that
14 allows the public to be a part, the public and citizens to be
15 a part of that process.

16 The dispute panels are chosen by the disputants.
17 They're a three-member panel. I think you know how it
18 works. It's not transparent. It's not open. It does not
19 allow for review. It does not allow for amicus brief. And
20 so I would like this panel to strongly consider that we need
21 to review the dispute mechanism regardless of the particulars
22 about the trade issue that we're dealing with. We need to
23 really look at this dispute mechanism.

24 If we can achieve fair trade, that's one thing, but
25 this dispute mechanism is not fair to the general public.

1 Thank you very much.

2 CO-MODERATOR JONES: Thank you. Any questions from
3 our negotiators?

4 Dr. Murphy.

5 ASSISTANT U.S. TRADE REPRESENTATIVE MURPHY:
6 Question for Ms. Price. On your last point, were you
7 suggesting it's not fair in terms of -- I thought I heard you
8 say in terms of process? Were you also saying in terms of
9 outcome or are you still on the process?

10 MS. THOMPSON-PRICE: Well, as a panelist, it's
11 currently constituted -- the way the panel becomes
12 constituted is the individuals who are on the select list of
13 panelists. First of all, when you look at that list, it's --
14 one could argue that it's not entirely balanced, then the
15 dispute panel only has three members on it and the process is
16 closed to the public. There's no way that the public can
17 offer an amicus brief, so it's not an open process in any
18 way, shape or form from beginning to end.

19 There's no appeal. It overrides sovereignty of our
20 Legislator, our elected representatives to do our local,
21 state and national business. It overrides the Supreme
22 Court. And I don't think there's anyway that we can construe
23 fair trade to mean that a dispute panel, which is really a
24 panel that is settling disputes, economic disputes, but which
25 have a great impact on the sovereignty of our country, should

1 be allowed.

2 So rather than -- I think what's important here and
3 what our group is trying to do is to not get into specifics
4 of the different sectors of trade agreements, at this point,
5 but to try to bring the general public an understanding of
6 what some of the overriding principles are and what kind of
7 impact that has on our society and our democracy.

8 CO-MODERATOR JONES: Dr. Murphy.

9 ASSISTANT U.S. TRADE REPRESENTATIVE MURPHY: On your
10 point about the closed nature of the panel process, as you
11 probably know, it's our -- we're fully in agreement with you
12 on that. In fact, you heard the President, I believe in his
13 May '98 address to the Second Ministerial Conference,
14 advocate complete transparency of the process, with the
15 provision of amicus briefs, et cetera. And that has been our
16 position in the WTO as you probably know.

17 The issue lies not with our problem here. It's our
18 trading partners who have resisted this temptation. We have
19 some support, but some countries that surprise us are
20 opposing us, so we are -- it is still a high priority for us,
21 because we recognize what you're saying and it's important
22 for the credibility of the process that it be open. We
23 appreciate that completely and that's why it is a basis of
24 our position, so we have to continue to work in that
25 direction.

1 MS. THOMPSON-PRICE: Well, I appreciate that. I
2 would just like to say that we have been told that MAI like
3 agreements will not appear in the WTO. MAI having been
4 defeated, we find MAI like agreements popping up in the
5 Africa Trade and Development Bill, I mean things sort of
6 amorph. And so I just -- I understand what Clinton said, I
7 follow what President Clinton said.

8 CO-MODERATOR JONES: Anymore questions?

9 Dr. Murphy.

10 ASSISTANT U.S. TRADE REPRESENTATIVE MURPHY: Could I
11 just -- it might be worthwhile just clarifying also on your
12 point about sovereignty. In the process, the country need
13 not take the action that the panel says that it should take.
14 It does have the option of saying we reject that and we'll
15 instead pay compensation. So it's not, in that sense, the
16 decision of the panel doesn't override your domestic law.
17 You can choose to maintain your domestic law as it is. And,
18 indeed, in some cases countries have chosen to do that.

19 So, in that sense, the ruling of the panel does not
20 overrule the laws of the land or the decisions of elected
21 officials, I just wanted to clarify that.

22 MS. THOMPSON-PRICE: Well, I understand that as
23 well. But I would also say that the sums of money that are
24 now on the table in some of these lawsuits, the Methanex suit
25 against the Government, because of the banning of MTBE, the

1 ethyl suit, some of these other suits are enormous sums of
2 money, which, should the United States decide not to
3 litigate, but pay, is taxpayer money that could be better
4 used. We could all argue that -- I mean, I think, at least
5 we could argue about how it could be better used, but I think
6 it could be better used.

7 So, you know, this could be debated as well. And
8 even though the State -- you could argue that the State is
9 not paying or not accepting the ruling, but as you suggest it
10 also is a process that should be more open. I mean I think
11 this dispute process, driven as it is, by issues of
12 economics, needs to be carefully examined. And I accept what
13 you've said and I think it really needs to be debated
14 publicly. The public is not aware of these overriding rather
15 large issues as part fair trade.

16 CO-MODERATOR JONES: Anymore questions?

17 Secretary Rominger.

18 USDA DEPUTY SECRETARY ROMINGER: I wanted to comment
19 on your statements about food safety. I agree that we want
20 safe food and we want to continue to make our food supply
21 even safer, but I think we can continue to do that. But I
22 get a little concerned, I guess, in the -- when we apply what
23 people are calling a precautionary principle, because it
24 seems to me that the way some people define that
25 precautionary principle, it could be used to prevent trade,

1 just because we don't like the product, because we're never
2 going to be able to completely prove a negative.

3 I think we need to do the risk assessments. We've
4 got to do good risk assessments and we've got to be satisfied
5 that the benefits of the product outweigh the risks. But I'm
6 not sure that we can ever get -- so I think we need to use
7 great caution, but I think some people's definitions of
8 precautionary principles go so far that it could become just
9 a trade barrier. And that's where we're, I think, we're
10 trying to sort that out.

11 Now, we can make sure we have those safe products
12 and do it -- exercise the caution that's needed, but still
13 allow trade to take place when we have demonstrated the
14 healthfulness of the product.

15 MS. THOMPSON-PRICE: Well, do I have just a moment
16 to respond to that?

17 USDA DEPUTY SECRETARY ROMINGER: Sure.

18 MS. THOMPSON-PRICE: Just going back to bovine
19 growth hormone use in milk, you may be aware of the Canadian
20 scientific report when we examined Monsanto's laboratory
21 findings in support of the no harm use of bovine growth
22 hormone in milk and as a human -- as a product for human
23 consumption. And the Canadian scientists, when they redid
24 that Monsanto data, found it considerably lacking.

25 So I think the question here is that as science is

1 less funded by government more funded by corporations, we
2 need to be very careful who is on what basis or how the
3 scientific reports in support of whatever food product is
4 being supported, that we need to have real mechanisms in
5 place, as I think some of you said in the comment to the
6 earlier panel.

7 And it puts a great burden then on governmental
8 agencies and other scientists to produce the kind of
9 objective science and that profit and other motives aren't
10 driving decisions. And some of these issues demand science
11 and studies in the animal or human population that aren't
12 just quickie, you know, but that are really designed well and
13 take into consideration the human organism.

14 And I think that one can argue that the Monsanto
15 bovine growth hormone study was not a well-modeled studied.
16 It was not a well done study. So it does raise concern for
17 the public. And I think if you're going to take the position
18 you do, that then you have to convince the public, by your
19 actions and the kind of science you cite and the kind of
20 science you support and the kind of science you demand, that
21 that's precisely what the government is doing.

22 USDA DEPUTY SECRETARY ROMINGER: I agree with you
23 that we need government agencies with independent scientists
24 that are doing the review and I think we have that in our
25 Food and Drug Administration and our Environmental Protection

1 Agency for looking at environmental consequences and that
2 USDA is looking into some of the agronomic and the plant
3 traits.

4 So I think we have some good agencies in this
5 country. I think we need to make sure that they stay on the
6 cutting edge of science and are able to answer these
7 questions as they come along and so we want to make sure that
8 we keep these agencies strong and that they are able to do
9 their job.

10 CO-MODERATOR JONES: Anymore questions?

11 Dr. Murphy.

12 ASSISTANT U.S. TRADE REPRESENTATIVE MURPHY: I can't
13 let Ms. Hayward's presentation go unresponded to, having deep
14 personal sentiment for an entrepreneur. I obviously don't
15 have an answer to your question. You're probably asking the
16 right ones, is there dumping, is there subsidization.

17 And I would tell you to investigate that, but when
18 you announced the level of your sales, that probably
19 prohibits your obtaining counsel, which is very chief for
20 that.

21 So I don't have an answer or a solution for you.
22 You have my sympathy. And I just don't -- I will think about
23 it, but I don't have an immediate solution for your problems.

24 MR. HAYWARD: It's just that I find that so many
25 processed purees, I mean we buy Granny Smith Apples,

1 Pomegranates, Kiwi, blood oranges here, all in the State of
2 California, white peach, and there's very, very few products
3 that we can sell effectively all over the United States less
4 expensively than our imported puree brands.

5 And I have reason to believe that they are being
6 subsidized by their country of origin and the French have
7 been doing this now for years. And it's only been slowing
8 down somewhat because of the strength of the U.S. dollar that
9 we have been able to see that we're able to catch up
10 somewhat.

11 But it's been something that's been, shall we say,
12 widespread there and we're doing our best to try and be very
13 effective. And all I want to do is just be fair.

14 Thank you.

15 ASSISTANT U.S. TRADE REPRESENTATIVE MURPHY: Sure.
16 You probably could ask the Foreign Agricultural Service to,
17 at least, check to see if there are any subsidies on the
18 record.

19 MS. HAYWARD: Believe me, we've already been through
20 the ATO office. And, yes, they've already nodded and said
21 yes, they're up to their old tricks. So I just wanted to
22 have you, when you go to the negotiating session, to keep
23 that in mind. And I hope that you pull up your shirt sleeves
24 and really go to work this time.

25 CO-MODERATOR JONES: Secretary Lyons.

1 CO-MODERATOR LYONS: Yeah, I just had a brief
2 comment, Ms. Hayward. I would encourage you, after the
3 session, to maybe meet with members of my staff. I've just
4 passed my card to Vanessa. Possibly, there might be some
5 internal trade situations that we can work with you on.

6 MS. HAYWARD: Great. Thank you very much.

7 USDA DEPUTY SECRETARY ROMINGER: Rob, I just want
8 to, again, respond on the Taiwan issue. I don't know whether
9 you were here when we talked about that earlier, but we are
10 working on that at APEC right now and in the accession
11 process for Taiwan. So we know it's a problem when they
12 change the rules in mid-stream or mid-ocean.

13 MS. NEENAN: Yeah. Buyers admit there may be as
14 many as a hundred loads of fruit on the water right now that
15 could land in Taiwan and be affected by these regulations, so
16 it's very urgent for us.

17 CO-MODERATOR JONES: Okay. Panel, thank you very
18 much.

19 From the negotiators, any closing comments?

20 Mr. Ambassador, Dr. Murphy.

21 AMBASSADOR BAAS: I guess I just want to say from
22 the State Department point of view, as I said at the
23 beginning, we were here to listen. And I think this has been
24 a really excellent session. We have heard a lot of different
25 opinions. And I think we've heard some fairly general themes

1 too, ones that we've heard at other listening sessions as
2 well, many times, EU export subsidies, tariffs are too high
3 overseas, too low here, when you think about harmonization.

4 And obviously, one emphasis we've had here that we
5 didn't have in some previous sessions was the emphasis on
6 specialty crops. And I think that's very useful for us to
7 get that perspective and I suspect that's one of the reasons
8 California was chosen as a listening site.

9 Anyway, I just wanted to say it has been very
10 useful. I think the staff of Secretary Lyons deserves a lot
11 a credit for getting this in shape and in place and allowing
12 it to go so smoothly.

13 I would also like to underline one last time that
14 the State Department is there with our embassies overseas to
15 help you. And when you do have problems that can't be
16 addressed, maybe Ms. Hayward's problem will be one of those
17 sort of problems once we figure out what's going on, we have
18 agricultural attaches, we have ambassadors, we have economic
19 counsellors, we have people overseas who can go to bat for
20 you once we figure out what the problem is and if there is
21 something that can be done.

22 Again, I would also say, what's been said before,
23 this is the first step in a process. We are not near
24 November yet. After November, there will be at least a
25 three-year process. We will need to hear from you again in

1 the future as proposals are made, whether it makes any sense
2 for India to cut their tariffs on pistachios by half or
3 whether it doesn't make sense, whether we really need
4 three-quarters, whatever the issue is. And so we will hope
5 to maintain this contact and continue to hear from you.

6 Thank you very much.

7 CO-MODERATOR JONES: Dr. Murphy.

8 ASSISTANT U.S. TRADE REPRESENTATIVE MURPHY: Thank
9 you. And Mark's done an excellent job of summing things up
10 here. And I would second all of that. I would underline two
11 points.

12 One, that this is the beginning of the process, as
13 Mark has said. And we certainly invite you to stay in touch
14 to provide additional comments as we go along and tell us
15 where we're going off path or where we're doing it right and
16 zeroing in in more detailed proposals, what sort of tariff
17 reductions you need, additional barriers that need to be
18 overcome.

19 We're always mindful that many markets have more
20 than one barrier. So you can get the tariff to zero, but you
21 still don't sell anything additional, because you discover
22 there's another barrier. And so it's important for those of
23 you who are out there in the front lines to educate us about
24 how many barriers and which markets. And we really do rely
25 on the private sector to steer us in the right direction in

1 that regard.

2 And lastly, I do want to, again, thank Secretary
3 Lyons and his very able team for organizing this. We
4 understand that a number of members for this team are fairly
5 new to his team and despite that fact have done an absolutely
6 superb job. This is certainly one of the very best listening
7 sessions we have had, very well organized, presentations were
8 superb. And we just want to thank Secretary Lyons and his
9 team for an excellent, excellent job.

10 USDA DEPUTY SECRETARY ROMINGER: I want to thank all
11 of you for being here today and for participating in this and
12 for giving us your thoughts, because as Mark and Jim have
13 said, we are going to need your continued participation as
14 these negotiations go forward over the next three years. We
15 hope it is only three years.

16 But thanks for taking your time to come here. We
17 did hear about specialty crops here and definitely that's why
18 we came to California. We want to make sure that those --
19 that we pay special attention in the next round with the WTO.
20 So I want to thank both Bill and Sheldon for putting this
21 together for us, for hosting it here in California and for
22 Sheldon, for Arizona's participation.

23 And I hope there's still some folks in Hawaii who
24 are listening and that way we'll hear their suggestions as
25 well.

1 So thank you.

2 CO-MODERATOR JONES: Patricia, did you have some
3 cements as well?

4 USDA ASSISTANT DEPUTY ADMINISTRATOR GARAMENDI: I'm
5 deleted that I was able to participate today. And it makes
6 me very pleased that so many growers, producers came such a
7 long distance to really talk about the specialty crops.
8 Sometimes Richard and I are always talking about it in detail
9 back there, but it was great that you took the time to come
10 and present it to these distinguished negotiators.

11 And I thank you very much, Vanessa. And Secretary
12 Lyons, you've got an AI team here, and we expect a lot more
13 of this.

14 Thank you.

15 CO-MODERATOR JONES: Thank you. Well, it's been a
16 pleasure for me to moderate this afternoon and participate
17 all day. I learned a lot and seeing what's going on in
18 California in the farming sector. And it's been a real
19 pleasure. Secretary, thank you very much.

20 CO-MODERATOR LYONS: I've just got a couple of quick
21 closing comments.

22 First of all, like everyone else on the panel, I'd
23 like to thank everyone for your insightful comments today and
24 your attendance and your attention throughout the day. I'd
25 also like to extend a special thanks to the panelists, Deputy

1 Secretary Richard Rominger, Dr. Jim Murphy, Ambassador Baas,
2 Patti Garamendi for their attentiveness throughout the day's
3 hearing.

4 I'd also like to thank my staff and the USDA's
5 staff. There's a lot of time and effort that goes into this.
6 I'd like to thank my good friend Sheldon for co-moderating
7 today's hearing. My staff, thank you, again. I think you
8 did an exceptional job today, something you ought to be proud
9 of.

10 Again, thank you very much. And I think that closes
11 the session.

12 Thank you.

13 (Applause.)

14 (Thereupon the World Trade Organization
15 listening session was concluded at 3:55 p.m.)

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1 CERTIFICATE OF REPORTER

2 I, JAMES F. PETERS, a Certified Shorthand Reporter
3 of the State of California, and Registered Professional
4 Reporter, do hereby certify:

5 That I am a disinterested person herein; that the
6 foregoing World Trade Organization Listening Session was
7 reported in shorthand by me, James F. Peters, a Certified
8 Shorthand Reporter of the State of California, and thereafter
9 transcribed into typewriting.

10 I further certify that I am not of counsel or
11 attorney for any of the parties to said hearing nor in any
12 way interested in the outcome of said hearing.

13 IN WITNESS WHEREOF, I have hereunto set my hand
14 this 20th day of July, 1999.

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